

ZF MGCAWU DISTRICT MUNICIPALITY



2012/2013

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2013

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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GENERAL INFORMATION

EXECUTIVE MAYOR

G. van Staden

SPEAKER

Z.S. Mjila

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor: G. van Staden

Councillors: B. Sinxeve
S. Esau
P.M. Mgcera
G.H. Mothibi

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

External – Auditor General (Kimberley Business Unit)
Internal – Internal Unit

PRIMARY BANKER

ABSA

REGISTERED OFFICE

c/o Upington 26 Avenue & Dr Nelson Mandela Drive
Upington
8801

Private Bag X6039
Upington
8800

Telephone: (054) 337-2800
Facsimile: (054) 337 2888

E-Mail: hub@zfm.gov.za
Website: <http://www.zfm-dm.co.za>

MUNICIPAL MANAGER

D.E. Ngxanga

CHIEF FINANCIAL OFFICER

P. Beukes

ZF MGCAWU DISTRICT MUNICIPALITY
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GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 8 to 110, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2013.

D.E. Ngxanga
MUNICIPAL MANAGER
30 August 2013

P Beukes
CHIEF FINANCIAL OFFICER
30 August 2013

ZF MGCAWU DISTRICT MUNICIPALITY

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MEMBERS OF THE COUNCIL

COUNCILLORS

PROPORTIONAL COUNCILLORS

G. van Staden	ANC	Commencement: 03/06/2011
Z.S. Mjila	ANC	Commencement: 03/06/2011
B. Sinxeve	ANC	Commencement: 03/06/2011
G. H. Mothibi	ANC	Commencement: 03/06/2011
S. Esau	ANC	Commencement: 03/06/2011
P.M. Mgcera	ANC	Commencement: 03/06/2011
D.L. de Wee	COPE	Commencement: 03/06/2011
C. Tieties	DA	Commencement: 03/06/2011
P.M. Kotze	DA	Commencement: 03/06/2011
N. P. Wetbooi	ANC	Commencement: 03/06/2011
K. Dodds	ANC	Commencement: 03/06/2011
M. Oliphant	ANC	Commencement: 03/06/2011
M. Mabilo	TCF	TSANTSABANE COMMUNITY FORUM
J. Assegai	DA	Commencement: 03/06/2011
D.Z Ntlanganiso	ANC	Commencement: 01/02/2013
S.P. May	ANC	Commencement: 03/06/2011
E. Mnyaka	ANC	Commencement: 03/06/2011
J. Thomas	COPE	Commencement: 01/07/2012
A. de Bruin	DA	Commencement: 03/06/2011
A. Isaacs	ANC	Commencement: 03/06/2011
B. Bock	ANC	Commencement: 03/06/2011

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MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution and according to the Government Gazette 315962 dated 7/12/2012. This read with the Remuneration of Public Officer Bearers Act, Circular 40/2012 dated 10/12/2012 of SALGA and the Minister of Provincial and Local Government's determination in accordance with this Act.

D. E. Ngxanga
MUNICIPAL MANAGER
30 August 2013

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FOREWORD

During the 2012/13 financial year the municipality was under severe pressure to ensure compliance to various changes in legislation and continue with implementation of Generally Recognised Accounting Practice (GRAP) standards. The municipality was however able to meet the challenges set by a changing legislative and accounting environment.

The district municipality, as part of improving service delivery to the community, implemented proper communication channels through the local municipalities that have the Ward Committee and Community Development Workers systems at their disposal.

Although capital projects were limited to those financed from external grant funding the municipality has successfully implemented the projects identified in the Integrated Development Plan / Budget for 2012/13 financial year. The municipality will continue in the 2013/14 financial year to implement uncompleted projects for the previous financial year and those projects identified in the IDP / Budget for the current year.

Service delivery and the eradication of infrastructure backlogs remain a serious concern to all in local government. All role-players must ensure that they work together to overcome the legacy of the past and ensure that we uplift the living conditions of our people.

I hereby wish to thank the members of the Mayoral Committee and Council together with staff for their commitment during the year, ensuring that we meet the set targets for the year.

I thank you.

G. van Staden
EXECUTIVE MAYOR
30 August 2013

ZF MGCWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Zf Mgcawu District Municipality at 30 June 2013 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, an increase in Non-current Liabilities and a increase in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Other Creditors.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) before Appropriations	5 631 136	(378 024)
Surplus / (Deficit) at the end of the Year	3 386 531	319 449
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	58.1%	30.3%
Remuneration of Councillors	4.9%	2.7%
Collection Costs	0.0%	0.0%
Depreciation and Amortisation	2.8%	2.2%
Impairment Losses	0.0%	0.7%
Repairs and Maintenance	0.9%	0.6%
Interest Paid	0.6%	0.5%
Bulk Purchases	0.0%	0.0%
Contracted Services	2.0%	3.2%
Grants and Subsidies Paid	6.0%	2.8%
General Expenses	21.8%	14.2%
Loss on Disposal of Property, Plant and Equipment	2.9%	42.9%
Current Ratio:		
Creditors Days	28	30
Debtors Days	4	18

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

ZF MGCAWU DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013
REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R6 833 029 (2011/12: R11 479 866). Full details of Assets are disclosed in Notes 7, 8 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R6 833 029 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
External Loans	2 560 381	3 545 687	(27.79)	2 540 759	0.77
Finance Leases	4 160	54 012	(92.30)	-	100.00
Grants and Subsidies	4 268 488	7 880 166	(45.83)	7 834 241	(45.51)
	6 833 029	11 479 866	(40.48)	10 375 000	(34.14)

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
External Loans	37.471%	30.8861%
Grants and Subsidies	62.468%	68.6434%
Finance Leases	0.061%	0.4705%
	100.00%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2013	2012
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	12 291 796	(21 345 187)
Revenue variances	(11 115 819)	(27 228 609)
Expenditure variances:		
Employee Related Costs	(585 073)	4 873 269
Remuneration of Councillors	(99 002)	(2 473 814)
Depreciation and Amortisation	4 055	182 101
Impairment Losses	-	(650 796)
Repairs and Maintenance	66 170	378 948
Interest Paid	58 894	968 995
Contracted Services	231 343	(842 372)
Grants and Subsidies Paid	302 803	13 197 423
General Expenses	774 111	1 307 620
Loss on disposal of Property, Plant and Equipment	1 137 803	(5 864 170)
Actual surplus / (deficit) before appropriations	3 067 081	(37 496 594)

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REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2013	2012
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	12 291 796	(21 345 187)
Executive and Council	81 533	780 638
Budget and treasury office	(12 570 432)	(18 314 687)
Corporate services	1 041 124	1 756 091
Municipal support	2 223 061	(373 448)
Actual surplus before appropriations	3 067 082	(37 496 594)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Statement of Comparison of Budget and Actual Amounts.

5.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual 2012/13 / 2011/12 R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	16 011	109 429	(93 418)	152 500	(136 489)
Budget and treasury office	28 057	1 531 083	(1 503 026)	55 000	(26 943)
Corporate services	618 752	2 901 211	(2 282 459)	1 397 250	(778 498)
Municipal support	6 170 208	6 938 142	(767 933)	10 681 800	(4 511 592)
	6 833 029	11 479 866	(4 646 837)	12 286 550	(5 453 521)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with an explanation of significant variances of more than 5% from budget, are included in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R3 386 531 (30 June 2012: R319 449) and is made up as follows:

Accumulated Surplus	3 386 531
	<u>3 386 531</u>

Refer to Note 17 and the Statement of Change in Net Assets for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities (including short-term portion) as at 30 June 2013 was R2 564 541 (30 June 2012: R3 599 700).

Refer to Note 14 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R19 223 593 (30 June 2012: R17 442 943).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 15 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R1 193 289 as at 30 June 2013 (30 June 2012: R942 209) and is made up as follows:

Provision for Long-term Service	1 193 289
Provision for Rehabilitation of Land-fill Sites	-
	<u>1 193 289</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 16 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R11 954 059 as at 30 June 2013 (30 June 2012: R11 413 006) and is made up as follows:

Provisions	Note 10	1 915 970
Payables	Note 11	7 762 052
Unspent Conditional Grants and Receipts	Note 12	1 196 044
Current Portion of Long-term Liabilities	Note 14	<u>1 079 993</u>
		<u>11 954 059</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months).

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R28 632 559 as at 30 June 2013 (30 June 2012: R25 567 947).

Refer to Note 7 and Appendices "B, C and E (2)" for more detail.

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REPORT OF THE CHIEF FINANCIAL OFFICER

12. INTANGIBLE ASSETS

The net value of Intangible Assets was R139 027 as at 30 June 2013 (30 June 2012: R193 654).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 and Appendix "B" for more detail.

13. CURRENT ASSETS

Current Assets amounted R8 385 478 as at 30 June 2013 (30 June 2012: R6 820 991) and is made up as follows:

Inventories	Note 2	47 502
Receivables from Exchange Transactions	Note 3	32 099
Receivables from Non-exchange Transactions	Note 4	0
VAT Receivable	Note 5	3 372 995
Cash and Cash Equivalents	Note 6	4 923 755
Current Portion of Finance Lease Receivables	Note 9	9 127
		<u>8 385 478</u>

The increase in the amount for Current Assets is mainly due to the increase in Cash and Cash Equivalents.

Refer to the indicated Notes for more detail.

14. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 46.

15. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Financial Services Directorate, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

30 August 2013

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
ASSETS			
Current Assets		8 385 478	6 820 991
Inventories	2	47 502	56 850
Receivables from Exchange Transactions	3	32 099	40 616
Receivables from Non-exchange Transactions	4	0	1 129 013
VAT Receivable	5	3 372 995	3 006 532
Cash and Cash Equivalents	6	4 923 755	2 574 830
Current Portion of Finance Lease Receivables	9	9 127	13 151
Non-Current Assets		28 856 542	25 870 818
Property, Plant and Equipment	7	28 632 559	25 567 947
Intangible Assets	8	139 027	193 654
Finance Lease Receivables	9	84 956	109 216
Long-term Receivables		-	-
Total Assets		37 242 020	32 691 809
LIABILITIES			
Current Liabilities		11 954 059	11 413 006
Provisions	10	1 915 970	1 678 826
Payables	11	7 762 052	4 495 968
Unspent Conditional Grants and Receipts	12	1 196 044	4 181 234
Bank Overdraft	6	-	31 479
Current Portion of Long-term Liabilities	14	1 079 993	1 025 498
Non-Current Liabilities		21 901 430	20 959 354
Long-term Liabilities	14	1 484 548	2 574 202
Retirement Benefit Liabilities	15	19 223 593	17 442 943
Non-current Provisions	16	1 193 289	942 209
Total Liabilities		33 855 489	32 372 359
Total Assets and Liabilities		3 386 531	319 449
NET ASSETS		3 386 531	319 449
Accumulated Surplus / (Deficit)	17	3 386 531	319 449
Total Net Assets		3 386 531	319 449

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Transfer of Landfill Sites		-	5 525 302
Government Grants and Subsidies Received	18	58 890 504	54 150 277
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	19	141 070	8 625
Interest Earned - External Investments	20	300 287	529 336
Interest Earned - Outstanding Debtors	20	5 279	6 460
Other Income	21	2 516 746	903 441
Total Revenue		61 853 886	61 123 442
EXPENDITURE			
Employee Related Costs	22	34 176 989	29 864 942
Remuneration of Councillors	23	2 909 505	2 706 099
Depreciation and Amortisation	24	1 663 088	2 155 257
Impairment Losses	25	-	650 796
Repairs and Maintenance		537 528	569 015
Finance Costs	26	325 887	487 876
Contracted Services	27	1 157 420	3 112 372
Grants and Subsidies Paid	28	3 544 561	2 779 077
General Expenses	29	12 792 016	14 001 081
Loss on Disposal of Property, Plant and Equipment	30	1 679 810	42 293 519
Total Expenditure		58 786 804	98 620 036
SURPLUS / (DEFICIT) FOR THE YEAR		3 067 082	(37 496 594)
ADD BACK: OTHER REVENUE / EXPENDITURE INCURRED ABOVE			
Discontinued Operations:			
Surplus / (Deficit) from Discontinued Operations	31	2 564 054	37 118 570
SURPLUS / (DEFICIT) FOR THE YEAR - ex Discontinued Operations		5 631 136	(378 024)

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Revaluation Reserve	Accumulated Surplus / (Deficit) Account			Total for Accumulated Surplus/(Deficit) Account	Total
		Capital Replacement Reserve	Government Grants Reserve	Accumulated Surplus / (Deficit)		
2012	R	R	R	R	R	R
Balance at 30 June 2011	-	-	-	48 214 533	48 214 533	48 214 533
Correction of 2011 Orders transfers				(692 420)	(692 420)	(692 420)
Correction of 2010/11 Bank in 2011/12	-	-	-	(5 240)	(5 240)	(5 240)
Restated Balance	-	-	-	47 516 872	47 516 872	47 516 872
Published Surplus / (Deficit) for the year				(41 052 984)	(41 052 984)	(41 052 984)
Balance at 30 June 2012	-	-	-	6 463 889	6 463 889	6 463 889
2013						
Correction of Error (Note 33)				3 556 389	3 556 389	3 556 389
Correction of 2010/11 VAT Receivable				(311 362)	(311 362)	(311 362)
Correction of 2010/11 Proclamation Assets transferred				(9 384 765)	(9 384 765)	(9 384 765)
Correction of 2010/11 Bank in 2012/13				(4 702)	(4 702)	(4 702)
Restated Opening Balance	-	-	-	319 449	319 449	319 449
Surplus / (Deficit) for the year				3 067 082	3 067 082	3 067 082
Balance at 30 June 2013	-	-	-	3 386 531	3 386 531	3 386 531
		-			-	(0.18)

ZF MGCAWU DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		-	1 659 472
Grants	18	58 890 504	54 150 277
Service Charges		20 767	216 818
Interest Received	20	305 567	535 796
Other Receipts		2 637 049	4 561 079
Payments			
Employee Related Costs	22	(34 176 989)	(29 864 942)
Remuneration of Councillors	23	(2 909 505)	(2 706 099)
Interest Paid	26	(325 887)	(487 876)
Suppliers Paid		(2 299 312)	(5 188 486)
Other Payments		(11 692 922)	(20 308 464)
NET CASH FLOWS FROM OPERATING ACTIVITIES		10 449 271	2 567 573
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(6 833 029)	(11 479 866)
Purchase of Intangible Assets	8	-	(165 637)
Proceeds on Disposal of Property, Plant and Equipment		(224 938)	-
Decrease / (Increase) in Finance Lease Receivables	9	24 260	13 151
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7 033 707)	(11 632 352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	14	(1 035 159)	(1 458 069)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(1 035 159)	(1 458 069)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENT:	6	2 380 405	(10 522 848)
Cash and Cash Equivalents at Beginning of Period		2 543 350	13 066 198
Cash and Cash Equivalents at End of Period		4 923 755	2 543 350

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Inventories	173 798	-	173 798	-	-	173 798	47 502	-	(126 296)	27.33	27.33
Receivables from Exchange Transactions	3 474 147	(3 474 147)	-	-	-	-	32 099	-	32 099	0.00	0.92
Receivables from Non-exchange Transactions	4 608 659	(2 000 000)	2 608 659	-	-	2 608 659	0	-	(2 608 659)	0.00	0.00
VAT Receivable	(2 834 553)	-	(2 834 553)	-	-	(2 834 553)	3 372 995	-	6 207 547	0.00	0.00
Cash and Cash Equivalents	16 837 841	(4 500 000)	12 337 841	-	-	12 337 841	4 923 755	-	(7 414 085)	39.91	29.24
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	9 127	-	9 127	0.00	0.00
		-	-		-						
Non-Current Assets											
Property, Plant and Equipment	52 372 697	(6 529 022)	45 843 675	-	-	45 843 675	28 632 559	-	(17 211 117)	62.46	54.67
Intangible Assets	-	-	-	-	-	-	139 027	-	139 027	0.00	0.00
Finance Lease Receivables	-	-	-	-	-	-	84 956	-	84 956	0.00	0.00
Total Assets	74 632 589	(16 503 169)	58 129 420	-	-	58 129 420	37 242 020	-	(20 887 400)	64.07	49.90
Current Liabilities											
Provisions	1 458 401	-	1 458 401	-	-	1 458 401	1 915 970	-	457 569	131.37	131.37
Payables	2 951 363	-	2 951 363	-	-	2 951 363	7 762 052	-	4 810 690	263.00	263.00
Unspent Conditional Grants and Receipts	7 894 198	(3 500 000)	4 394 198	-	-	4 394 198	1 196 044	-	(3 198 154)	27.22	15.15
Current Portion of Long-term Liabilities	839 824	-	839 824	-	-	839 824	1 079 993	-	240 169	128.60	128.60
Non-Current Liabilities											
Long-term Liabilities	1 700 935	-	1 700 935	-	-	1 700 935	1 484 548	-	(216 387)	87.28	87.28
Retirement Benefit Liabilities	16 254 972	-	16 254 972	-	-	16 254 972	19 223 593	-	2 968 621	118.26	118.26
Non-current Provisions	11 278 425	-	11 278 425	-	-	11 278 425	1 193 289	-	(10 085 136)	10.58	10.58
Total Liabilities	51 380 932	(12 502 814)	38 878 118	-	-	38 878 118	33 855 489	-	(5 022 629)	87.08	65.89
Total Assets and Liabilities	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	3 386 531	-	(15 864 770)	17.59	14.56
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	3 386 531	-	(15 864 770)	17.59	14.56
Total Net Assets	23 251 657	(4 000 356)	19 251 301	-	-	19 251 301	3 386 531	-	(15 864 770)	17.59	14.56
							0		0		

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Minimum stock held in stores

Receivables from Exchange Transactions:

Budgeted for under Receivables from Non-exchange Transactions

Receivables from Non-exchange Transactions:

Good debtor recoveries from Government Subsidy Claims

VAT Receivable:

Budgeted for as a VAT Payable

Cash and Cash Equivalents:

Over budgeted for Cash and Cash Equivalents

Current Portion of Finance Lease Receivables:

Budgeted for under Finance lease receivables

Property, Plant and Equipment:

Properties on title deeds were transferred to Local Municipalities.

Intangible Assets:

Budgeted for under PPE

Finance Lease Receivables:

Budgeted for under PPE

Provisions:

Increase in the current portions of PEMA and LSA valuation reports

Payables:

Third parties were paid after year-end

Unspent Conditional Grants and Receipts:

Written off all unspent conditional grants to external evidence

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities

Long-term Liabilities:

Variance within 10% when the current portion of long-term liabilities is included.

Retirement Benefit Liabilities:

Increase in the PEMA valuation reports

Non-current Provisions:

Incorrectly budgeted for Refuse landfill site rehabilitation of R5 274 152

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013
 FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Government Grants and Subsidies Received	57 039 000	-	57 039 000	-	-	57 039 000	58 890 504	-	1 851 504	103.25	103.25
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	44 071	163 737	207 808	-	-	207 808	141 070	-	(66 738)	67.88	320.10
Interest Earned - External Investments	787 500	-	787 500	-	-	787 500	300 287	-	(487 213)	38.13	38.13
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	5 279	-	5 279	0.00	0.00
Other Income	11 692 584	3 242 813	14 935 397	-	-	14 935 397	2 516 746	-	(12 418 651)	16.85	21.52
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	69 563 155	3 406 550	72 969 705	-	-	72 969 705	61 853 886	-	(11 115 819)	84.77	88.92
Expenditure											
Employee Related Costs	37 462 072	(586 510)	36 875 562	-	(3 283 646)	33 591 916	34 176 989	-	585 073	101.74	91.23
Remuneration of Councillors	229 953	381 728	611 681	-	2 198 822	2 810 503	2 909 505	-	99 002	103.52	1 265.26
Depreciation and Amortisation	2 484 947	(510 978)	1 973 969	-	(306 826)	1 667 143	1 663 088	-	(4 055)	99.76	66.93
Repairs and Maintenance	655 291	39 000	694 291	-	(90 593)	603 698	537 528	-	(66 170)	89.04	82.03
Finance Costs	571 292	2 000	573 292	-	(188 511)	384 781	325 887	-	(58 894)	84.69	57.04
Contracted Services	1 320 000	110 000	1 430 000	-	(41 237)	1 388 763	1 157 420	-	(231 343)	83.34	87.68
Grants and Subsidies Paid	3 493 000	65 500	3 558 500	-	288 864	3 847 364	3 544 561	-	(302 803)	92.13	101.48
General Expenses	13 524 729	1 987 135	15 511 864	-	(1 945 737)	13 566 127	12 792 016	-	(774 111)	94.29	94.58
Loss on Disposal of Property, Plant and Equipment	(551 250)	-	(551 250)	-	3 368 864	2 817 614	1 679 810	-	(1 137 804)	59.62	0.00
Total Expenditure	59 190 034	1 487 875	60 677 909	-	-	60 677 909	58 786 804	-	(1 891 105)	96.88	99.32
Surplus/(Deficit)	10 373 121	1 918 675	12 291 796	-	-	12 291 796	3 067 082	-	(9 224 714)	24.95	29.57
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	10 373 121	1 918 675	12 291 796	-	-	12 291 796	3 067 082	-	(9 224 714)	24.95	29.57
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	(2 564 054)	-	(2 564 054)	0.00	0.00
Surplus/(Deficit for the Year)	10 373 121	1 918 675	12 291 796	-	-	12 291 796	5 631 136	-	(6 660 661)	45.81	54.29

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Rental of Facilities and Equipment:

Over budgeted. Rental income was not received during the current year.

Interest Earned - External Investments:

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year.

Interest Earned - Outstanding Debtors:

Budgeted for under Interest Earned - External Investments

Other Income:

Other income were too optimistically budgeted for and did not realised as forecasted.

Repairs and Maintenance:

Less was spent on repairs and maintenance due to the replacement of redundant assets with new assets occurred.

Finance Costs:

Over-budgeted for expenditure

Contracted Services:

Savings realised by not appointing unnecessary contractors

Surplus / (Deficit) from Discontinued Operations:

PPE transferred to Local Municipalities and budgeted for under

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	152 500	-	152 500	-	-	152 500	16 011	-	(136 489)	10.50	10.50
Budget and treasury office	255 000	(200 000)	55 000	-	-	55 000	28 057	-	(26 943)	51.01	11.00
Corporate services	1 047 250	350 000	1 397 250	-	-	1 397 250	618 752	-	(778 498)	44.28	59.08
Municipal Support	10 531 800	150 000	10 681 800	-	-	10 681 800	6 170 208	-	(4 511 592)	57.76	58.59
Total Capital Expenditure	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:
Savings realised by buying only necessary assets
Budget and treasury office
Savings realised by buying only necessary assets
Corporate services
Savings realised by buying only necessary assets
Municipal Support
Savings realised by buying only necessary assets

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Property Rates	13 313 204	2 830 958	16 144 162	-	-	16 144 162	(0)	-	(16 144 162)	0.00	0.00
Grants	57 039 000	(999 550)	56 039 450	-	-	56 039 450	58 890 504	-	2 851 054	105.09	103.25
Service Charges	-	-	-	-	-	-	20 767	-	20 767	0.00	0.00
Interest Received	787 500	-	787 500	-	-	787 500	305 567	-	(481 933)	38.80	38.80
Other Receipts	-	-	-	-	-	-	2 637 049	-	2 637 049	0.00	0.00
Employee Related Costs	(54 332 011)	(6 317 066)	(60 649 077)	-	-	(60 649 077)	(34 176 989)	-	26 472 088	56.35	62.90
Remuneration of Councillors	-	-	-	-	-	-	(2 909 505)	-	(2 909 505)	0.00	0.00
Interest Paid	(571 292)	-	(571 292)	-	-	(571 292)	(325 887)	-	245 405	57.04	57.04
Suppliers Paid	-	-	-	-	-	-	(2 299 312)	-	(2 299 312)	0.00	0.00
Other Payments	-	-	-	-	-	-	(11 692 922)	-	(11 692 922)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(11 986 550)	(300 000)	(12 286 550)	-	-	(12 286 550)	(6 833 029)	-	5 453 521	55.61	57.01
Proceeds on Disposal of Property, Plant and Equipment	551 250	-	551 250	-	-	551 250	(224 938)	-	(776 188)	0.00	0.00
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	24 260	-	24 260	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(134 165)	-	(134 165)	-	-	(134 165)	(1 035 159)	-	(900 994)	771.56	771.56
Cash and Cash Equivalents at End of the Year	4 666 937	(4 785 658)	(118 721)	-	-	(118 721)	2 380 405	-	2 499 126	0.00	51.01
							(0)				

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Incorrectly budgeted for Property rates. Function transferred to Local Municipalities. Other receipts included in this budget amount

Service Charges

Not budgeted for. The function is transferred to Local Municipalities. The actual amount is cash inflows from prior year.

Interest Received

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year.

Other Receipts

Budgeted under property rates

Employee Related Costs

Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Over-budgeted for expenditure

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Savings realised

Proceeds on Disposal of Property, Plant and Equipment:

A loss on disposal of Property, Plant and Equipment realised during the financial year

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

Loans repaid:

Incorrectly budgeted for

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012
 FINANCIAL POSITION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Current Assets											
Inventories	-	173 798	173 798	-	-	173 798	56 850	-	(116 949)	32.71	0.00
Receivables from Exchange Transactions	-	71 580	71 580	-	-	71 580	40 616	-	(30 965)	56.74	0.00
Receivables from Non-exchange Transactions	-	3 832 789	3 832 789	-	-	3 832 789	1 129 013	-	(2 703 776)	29.46	0.00
VAT Receivable	-	2 842 686	2 842 686	-	-	2 842 686	3 006 532	-	163 846	105.76	0.00
Cash and Cash Equivalents	3 998 000	9 068 198	13 066 198	-	-	13 066 198	2 574 830	-	(10 491 368)	19.71	64.40
Current Portion of Finance Lease Receivables	-	-	-	-	-	-	13 151	-	13 151	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	14 890 500	50 667 902	65 558 402	-	-	65 558 402	25 567 947	-	(39 990 455)	39.00	171.71
Intangible Assets	-	224 654	224 654	-	-	224 654	193 654	-	(31 000)	86.20	0.00
Finance Lease Receivables	-	-	-	-	-	-	109 216	-	109 216	0.00	0.00
Long-term Receivables	500 000	(500 000)	-	-	-	-	-	-	-	0.00	0.00
Total Assets	19 388 500	66 381 607	85 770 107	-	-	85 770 107	32 691 809	-	(53 078 299)	38.12	168.61
Current Liabilities											
Provisions	3 000 000	(1 541 599)	1 458 401	-	-	1 458 401	1 678 826	-	220 425	115.11	55.96
Payables	5 819 000	(2 878 429)	2 940 571	-	-	2 940 571	4 495 968	-	1 555 398	152.89	77.26
Unspent Conditional Grants and Receipts	-	8 159 198	8 159 198	-	-	8 159 198	4 181 234	-	(3 977 964)	51.25	0.00
Bank Overdraft	-	-	-	-	-	-	31 479	-	31 479	0.00	0.00
Current Portion of Long-term Liabilities	500 000	950 836	1 450 836	-	-	1 450 836	1 025 498	-	(425 338)	70.68	205.10
Non-Current Liabilities											
Long-term Liabilities	6 182 000	(2 575 067)	3 606 933	-	-	3 606 933	2 574 202	-	(1 032 731)	71.37	41.64
Retirement Benefit Liabilities	-	16 254 972	16 254 972	-	-	16 254 972	17 442 943	-	1 187 971	107.31	0.00
Non-current Provisions	1 074 000	4 930 273	6 004 273	-	-	6 004 273	942 209	-	(5 062 064)	15.69	87.73
Total Liabilities	16 575 000	23 300 184	39 875 184	-	-	39 875 184	32 372 359	-	(7 502 825)	81.18	195.31
Total Assets and Liabilities	2 813 500	43 081 423	45 894 923	-	-	45 894 923	319 449	-	(45 575 474)	0.70	11.35
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	2 813 500	43 081 423	45 894 923	-	-	45 894 923	319 449	-	(45 575 474)	0.70	11.35
Total Net Assets	2 813 500	43 081 423	45 894 923	-	-	45 894 923	319 449	-	(45 575 474)	0.70	11.35
		0	0			0	(0)		(0)		

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventory:

Minimum stock held in stores

Receivables from Exchange Transactions:

Budgeted for under Receivables from Non-exchange Transactions

Receivables from Non-exchange Transactions:

Good debtor recoveries from Government Subsidy Claims

VAT Receivable:

VAT investigation was performed and more tax was claimable than budgeted for

Cash and Cash Equivalents:

Over budgeted for Cash and Cash Equivalents

Current Portion of Finance Lease Receivables:

Budgeted for under Finance lease receivables

Property, Plant and Equipment:

Properties on title deeds were transferred to Local Municipalities.

Intangible Assets:

Budgeted for under PPE

Finance Lease Receivables:

Budgeted for under PPE

Provisions:

Increase in the current portions of PEMA and LSA valuation reports

Payables:

Third parties were paid after year-end

Unspent Conditional Grants and Receipts:

Written off all unspent condition grants to external evidence

Bank Overdraft:

Budgeted for a positive bank balance

Current Portion of Long-term Liabilities:

Budgeted for under Long-term Liabilities

Long-term Liabilities:

Over budgeted for long-term liabilities

Retirement Benefit Liabilities:

Increase in the PEMA valuation reports

Non-current Provisions:

Incorrectly budgeted for Refuse landfill site rehabilitation

Accumulated Surplus / (Deficit):

Combination of reasons stated above

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012
FINANCIAL PERFORMANCE

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Revenue from Non-exchange Transactions											
Transfer of Landfill Sites	-	-	-	-	-	-	5 525 302	-	5 525 302	0.00	0.00
Government Grants and Subsidies Received	73 892 000	(9 500 000)	64 392 000	-	-	64 392 000	54 150 277	-	(10 241 723)	84.09	73.28
Revenue from Exchange Transactions											
Rental of Facilities and Equipment	263 112	-	263 112	-	-	263 112	8 625	-	(254 487)	3.28	3.28
Interest Earned - External Investments	750 000	-	750 000	-	-	750 000	529 336	-	(220 664)	70.58	70.58
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	6 460	-	6 460	0.00	0.00
Other Income	14 041 610	8 905 330	22 946 940	-	-	22 946 940	903 441	-	(22 043 498)	3.94	6.43
Total Revenue	88 946 722	(594 670)	88 352 052	-	-	88 352 052	61 123 442	-	(27 228 609)	69.18	68.72
Expenditure											
Employee Related Costs	33 580 829	1 157 382	34 738 212	-	-	34 738 212	29 864 942	-	(4 873 269)	85.97	88.93
Remuneration of Councillors	232 286	-	232 286	-	-	232 286	2 706 099	-	2 473 814	1 164.99	1 164.99
Depreciation and Amortisation	932 393	1 404 965	2 337 358	-	-	2 337 358	2 155 257	-	(182 101)	92.21	231.15
Impairment Losses	-	-	-	-	-	-	650 796	-	650 796	0.00	0.00
Repairs and Maintenance	1 010 232	(62 270)	947 962	-	-	947 962	569 015	-	(378 948)	60.03	56.33
Finance Costs	2 657 054	(1 200 183)	1 456 871	-	-	1 456 871	487 876	-	(968 995)	33.49	18.36
Contracted Services	1 420 000	850 000	2 270 000	-	-	2 270 000	3 112 372	-	842 372	137.11	219.18
Grants and Subsidies Paid	16 179 125	(202 625)	15 976 500	-	-	15 976 500	2 779 077	-	(13 197 423)	17.39	17.18
General Expenses	14 272 421	1 036 281	15 308 702	-	-	15 308 702	14 001 081	-	(1 307 620)	91.46	98.10
Loss on Disposal of Property, Plant and Equipment	(525 000)	36 954 349	36 429 349	-	-	36 429 349	42 293 519	-	5 864 170	116.10	0.00
Total Expenditure	69 759 340	39 937 899	109 697 238	-	-	109 697 238	98 620 036	-	(11 077 202)	89.90	141.37
Surplus/(Deficit)	19 187 382	(40 532 569)	(21 345 187)	-	-	(21 345 187)	(37 496 594)	-	(16 151 407)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	19 187 382	(40 532 569)	(21 345 187)	-	-	(21 345 187)	(37 496 594)	-	(16 151 407)	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	(37 118 570)	-	(37 118 570)	0.00	0.00
Surplus/(Deficit for the Year	19 187 382	(40 532 569)	(21 345 187)	-	-	(21 345 187)	(378 024)	-	20 967 163	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Transfer of Landfill Sites

Function (Provision) transferred to Local Municipalities. Therefore no budget amount

Government Grants and Subsidies Received:

Funding for certain gazetted grants did not realised

Rental of Facilities and Equipment:

Over budgeted. Rental income of R100 570 was not received during the current year of which R64 193 was written off and the remaining balance was provided for

Interest Earned - External Investments:

This was a "Correction of Error" on Finance Lease Receivables

Interest Earned - Outstanding Debtors:

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year

Other Income:

Other income were too optimistically budgeted for and did not realised as forecasted.

Employee Related Costs:

Budgeted together with Remuneration of Councillors

Remuneration of Councillors:

Budgeted together with Employee Related Cost

Depreciation and Amortisation:

Increase in depreciation due to implementation of GRAP 16, 17 and 102

Impairment Losses:

Impairment Losses budgeted under Other Expenses

Repairs and Maintenance:

Less was spent on repairs and maintenance due to the replacement of redundant assets with new assets occurred.

Finance Costs:

Over-budgeted for expenditure

Contracted Services:

It was an extension of Ducharme Consulting contract - condoned by Council

Grants and Subsidies Paid:

Funding for certain projects in this category did not materialised and this let the spending on grants and subsidies paid to be much lesser than budgeted for.

General Expenses :

Savings on expenditure realised

Loss on Disposal of Property, Plant and Equipment:

PPE transferred to Local Municipalities and not budgeted for

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012
CAPITAL EXPENDITURE PER FUNCTION

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	60 000	-	60 000	-	-	60 000	109 429	-	49 429	182.38	182.38
Budget and treasury office	5 130 000	-	5 130 000	-	-	5 130 000	1 579 798	-	(3 550 202)	30.80	30.80
Planning and Development	4 781 000	-	4 781 000	-	-	4 781 000	2 842 919	-	(1 938 081)	59.46	59.46
Health	20 000	-	20 000	-	-	20 000	7 280	-	(12 720)	36.40	36.40
Municipal Support	-	-	-	-	-	-	1 553 117	-	1 553 117	0.00	0.00
Housing	1 176 050	-	1 176 050	-	-	1 176 050	10 662	-	(1 165 388)	0.91	0.91
Public Safety	17 000	-	17 000	-	-	17 000	-	-	(17 000)	0.00	0.00
Sport and Recreation	-	-	-	-	-	-	41 200	-	41 200	0.00	0.00
Water	5 500 000	-	5 500 000	-	-	5 500 000	5 335 461	-	(164 539)	97.01	97.01
Other	5 000	-	5 000	-	-	5 000	-	-	(5 000)	0.00	0.00
Total Capital Expenditure	16 689 050	-	16 689 050	-	-	16 689 050	11 479 866	-	(5 209 184)	68.79	68.79

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:
Budgeted for under the Housing Function

Finance and Administration:
Savings realised

Planning and Development:
Savings realised

Health:
Savings realised

Community and Social Services:
Budgeted for under Community and Social Services

Housing:
Savings realised

Public Safety:
Savings realised

Sport and Recreation:
Budgeted for under Planning and Development

Other:
Savings realised

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012
CASH FLOW

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
Cash Flows from/(used in) Operating Activities											
Property Rates	14 304 722	23 210 052	37 514 773	-	-	37 514 773	1 659 472	-	(35 855 301)	4.42	11.60
Grants	73 892 000	64 392 000	138 284 000	-	-	138 284 000	54 150 277	-	(84 133 723)	39.16	73.28
Service Charges	-	-	-	-	-	-	216 818	-	216 818	0.00	0.00
Interest Received	750 000	750 000	1 500 000	-	-	1 500 000	535 796	-	(964 204)	35.72	71.44
Other Receipts	-	-	-	-	-	-	4 561 079	-	4 561 079	0.00	0.00
Employee Related Costs	(51 582 018)	(52 747 017)	(104 329 035)	-	-	(104 329 035)	(29 864 942)	-	74 464 092	28.63	57.90
Remuneration of Councillors	-	-	-	-	-	-	(2 706 099)	-	(2 706 099)	0.00	0.00
Interest Paid	(2 657 054)	(1 456 871)	(4 113 925)	-	-	(4 113 925)	(487 876)	-	3 626 048	11.86	18.36
Suppliers Paid	-	-	-	-	-	-	(5 188 486)	-	(5 188 486)	0.00	0.00
Other Payments	(15 474 125)	(15 171 500)	(30 645 625)	-	-	(30 645 625)	(20 308 464)	-	10 337 161	66.27	131.24
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(16 639 050)	(16 689 050)	(33 328 100)	-	-	(33 328 100)	(11 479 866)	-	21 848 234	34.45	68.99
Purchase of Intangible Assets	-	-	-	-	-	-	(165 637)	-	(165 637)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	525 000	570 000	1 095 000	-	-	1 095 000	-	-	(1 095 000)	0.00	0.00
Decrease / (Increase) in Finance Lease Receivables	-	-	-	-	-	-	13 151	-	13 151	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	-	-	-	-	-	-	(1 458 069)	-	(1 458 069)	0.00	0.00
Cash and Cash Equivalents at End of the Year	3 119 475	2 857 614	5 977 089	-	-	5 977 089	(10 522 848)	-	(16 499 937)	0.00	0.00
							(0)				

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Property Rates

Function transferred to Local Municipalities. Other receipts included in this budget amount

Grants

Over budgeted for Grants

Service Charges

The function is transferred to Local Municipalities. The actual amount is cash inflows from prior year.

Interest Received

Interest earned potential were overstated in the budget planning. Lower interest rates were realised in the financial year.

Other Receipts

Budgeted under property rates

Employee Related Costs

Remuneration of councillors, Suppliers paid and Other payments budgeted for under Employee Related Cost

Remuneration of Councillors

Budgeted for under Employee Related Cost

Interest Paid

Over-budgeted for expenditure

Suppliers Paid

Budgeted for under Employee Related Cost

Other Payments

Budgeted for under Employee Related Cost

Purchase of Property, Plant and Equipment:

Savings realised

Purchase of Intangible Assets:

Budgeted for under PPE

Proceeds on Disposal of Property, Plant and Equipment:

A loss on disposal of Property, Plant and Equipment realised during the financial year

Decrease / (Increase) in Finance Lease Receivables

Budgeted for under PPE

Loans repaid:

Incorrectly budgeted for

ZF MGCAWU DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2012/13		2011/12
	R		R
Net surplus/(deficit) per the statement of financial performance	3 067 082		(37 496 594)
Revenue from Non-exchange Transactions			
Licences and Permits	-		(5 525 302)
Government Grants and Subsidies Received	(1 851 504)		19 741 723
Revenue from Exchange Transactions			
Rental of Facilities and Equipment	66 738		254 487
Interest Earned - External Investments	487 213		220 664
Interest Earned - Outstanding Debtors	(5 279)		(6 460)
Other Revenue	12 418 651		13 138 168
Expenditure			
Employee Related Costs	585 073		(3 715 887)
Remuneration of Councillors	99 002		2 473 814
Depreciation and Amortisation	(4 055)		1 222 864
Impairment Losses	-		650 796
Repairs and Maintenance	(66 170)		(441 218)
Finance Costs	(58 894)		(2 169 177)
Contracted Services	(231 343)		1 692 372
Grants and Subsidies Paid	(302 803)		(13 400 048)
General Expenses	(774 111)		(271 340)
Loss on Disposal of Property, Plant and Equipment	(1 137 804)		42 818 519
Net surplus/deficit per approved budget	12 291 796		19 187 382

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

1.1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1.2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions*: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial assets and liabilities*

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments - Presentation* and GRAP 104: *Financial Instruments - Recognition and Measurement*.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1.2.3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments - Recognition and Measurement*, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

• Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.4 *Useful lives of Property, Plant and Equipment and Intangible assets*

As described in Accounting Policies 3.3 and 4.2 the municipality depreciates and amortises its Property, Plant and Equipment and Intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 *Impairment: Write down of Property, Plant and Equipment and Inventories*

Accounting Policy 3.10 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 7.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Value (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17: *Property, Plant and Equipment*, GRAP 12: *Inventory* and GRAP 102: *Intangible assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the CRC for inventories involves significant judgment by management.

1.2.6 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 11.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 14 and 15 to the Annual Financial Statements.

1.2.7 *Provisions and contingent liabilities*

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes, 9 and 42 respectively. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1.4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1.5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been approved but are not yet effective and have not been early adopted by the municipality:

GRAP 20	Related Party Disclosures
GRAP 18	Segment Reporting
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Mergers

Above Standards of GRAP were approved, but for which the Minister of Finance has not yet determined an effective date, and that entities may consider in formulating an accounting policy (paragraph .30 of Directive 5), before applying the hierarchy in the Standards of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

GRAP 20 - Related Party Transactions

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the nett profit or loss during the financial year and is maintained in terms of the relevant accounting policies.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3.3 Depreciation

Land has an unlimited useful life and therefore is not depreciated. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	45 - 50	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
		Office Equipment	3 - 7
<i>Buildings</i>	30 - 100	Furniture and Fittings	7 - 10
		Watercraft	15
<i>Community</i>		Bins and Containers	5
Recreational Facilities	15 - 60	Specialised Plant and Equipment	10 - 15
Security	5	Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment.

Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Land

Land has an unlimited useful life and therefore is not depreciated.

3.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3.9 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.10 Impairment of assets

3.10.1 *Impairment of Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.10.2 *Impairment of Non-Cash generating assets*

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows: to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provisions

The estimated useful lives and depreciation methods have been reviewed for the year ended 30 June 2012 (and applied retrospectively where practicable), and any changes therein have been implemented in accordance with the requirements of GRAP 17, GRAP 3 and ASB Directive 5.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

The fair values of intangible assets recognised in terms of GRAP 102 have been disclosed for the financial year ended 30 June 2012 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;

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- Property being constructed or developed on behalf of third parties;
Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Cost Model

Investment property is measured using the cost model. Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual agreement .

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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The effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

6.1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes there to:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Available for sale
Bank Balances and Cash	Available for sale
Finance Lease Receivable	Available for sale
Other Debtors	Loans and receivables

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Available for sale.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities

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There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Other financial liabilities (Financial liabilities measured at amortised cost)
- (iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

6.3.2 Financial Liabilities:

Financial liabilities

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

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6.4 Impairment of Financial Assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance.

Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompass long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale of inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

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Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7.3 Transitional Provisions

The net realisable value of inventory recognised in terms of GRAP 12 have been disclosed for the financial year ended 30 June 2013 in accordance with the requirements of GRAP 12, GRAP 3 and ASB Directive 5.

8. NON-CURRENT ASSETS HELD-FOR-SALE

8.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

9. REVENUE RECOGNITION

9.1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 *Finance income*

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

9.2.2 *Sale of Goods (including Houses)*

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

9.2.3 *Rentals*

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

9.3 Revenue from Non-exchange Transactions

9.3.1 *Public contributions*

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.2 *Other Donations and Contributions*

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

9.3.3 *Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure*

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

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9.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

10. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

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11.2.1 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.3 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

11.3.1 *Post-retirement Health Care Benefits:*

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

11.3.2 *Long-service Allowance*

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

11.3.3 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

12.1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

12.2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

12.3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2010 in accordance with the requirements of GRAP 5 and ASB Directive 4.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

14. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

15. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

16. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

17. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. COMPARATIVE INFORMATION

21.1 Current year comparatives:

Budgeted amounts have, in accordance with GRAP 1, been provided in an annexure to these financial statements and forms part of the audited Annual Financial Statements.

21.2 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

ZF MGCAWU DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

23 COMMITMENTS

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

24 TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. GENERAL INFORMATION

ZF Mgcawu District Municipality (The Municipality, formerly known as Siyanda District Municipality) is a local government institution in Upington, Northern Cape and has 6 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

2. INVENTORIES

	2013 R	2012 R
Consumable Stores - at cost	47 502	56 851
Water - at cost	-	(1)
Total Inventories	47 502	56 850

The cost of Inventories recognised as an expense includes R914 (2012: R0) in respect of write downs of Inventory to Net Realisable Value.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Receivables	68 475	36 376	32 099
Other Debtors	68 475	36 376	32 099
Total Receivables from Exchange Transactions	68 475	36 376	32 099
As at 30 June 2012			
Other Receivables	89 242	48 627	40 616
Other Debtors	89 242	48 627	40 616
Total Receivables from Exchange Transactions	89 242	48 627	40 616

Receivables from Exchange Transactions have been restated to correctly reclassify Receivables. Refer to Note 33 on 'Correction of Error' for details of the restatement.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies.

	2013 R	2012 R
3.1 Ageing of Receivables from Exchange Transactions		
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	32 099	(1 851)
<u>Past Due:</u>		
31 - 60 Days	-	478
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	36 376	90 615
Total	68 475	89 242

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	-	-	-	32 099
<u>Past Due:</u>				
31 - 60 Days	-	-	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	36 376	-	-
Sub-total	-	36 376	-	32 099
Less: Provision for Impairment	-	36 376	-	-
Total Trade Receivables by Customer Classification	-	-	-	32 099

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	-	(399)	-	(1 452)
<u>Past Due:</u>				
31 - 60 Days	-	478	-	-
61 - 90 Days	-	-	-	-
+ 90 Days	-	36 376	-	54 240
Sub-total	-	36 455	-	52 787
Less: Provision for Impairment	-	36 376	-	12 250
Total Trade Receivables by Customer Classification	-	79	-	40 537

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	48 627	1 835 295
All Consumer Debtors	48 627	-
Assessment Rates Debtors	-	1 835 295
Impairment Losses recognised	(12 250)	(1 786 669)
All Consumer Debtors	(12 250)	48 627
Assessment Rates Debtors	-	(1 835 295)
Balance at end of year	36 376	48 627

3.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Government Subsidy Claims	-	-	-
Total Receivables from Non-exchange Transactions	-	-	-
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Government Subsidy Claims	1 927 862	798 849	1 129 013
Total Receivables from Non-exchange Transactions	1 927 862	798 849	1 129 013

Receivables from Non Exchange Transactions have been restated to correctly reclassify Receivables. Refer to Note 33 on 'Correction of Error' for details of the restatement.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Government Subsidy Claims:					
Gross Balances	-	-	-	-	-
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	-

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Government Subsidy Claims:					
Gross Balances	(48 183)	127 492	217 792	1 630 761	1 927 862
Less: Provision for Impairment	-	-	-	798 849	798 849
Net Balances	(48 183)	127 492	217 792	831 912	1 129 013

As at 30 June Receivables of R1 177 196 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	127 492	217 792	1 630 761	1 976 045
Less: Provision for Impairment	-	-	798 849	798 849
Net Balances	127 492	217 792	831 912	1 177 196

	2013 R	2012 R
4.2 Reconciliation of Provision for Impairment		
Balance at beginning of year	798 849	1 659 472
<i>Other Debtors</i>	798 849	-
<i>Assessment Rates Debtors</i>	-	1 659 472
Impairment Losses recognised	-	798 849
<i>Other Debtors</i>	-	798 849
<i>Assessment Rates Debtors</i>	-	-
Impairment Losses reversed	(798 849)	(1 659 472)
<i>Other Debtors</i>	(798 849)	-
<i>Assessment Rates Debtors - Transferred to Local Municipalities</i>	-	(1 659 472)
Balance at end of year	-	798 849

No Provision for Impairment was calculated due to the fact that the Assessment Rates were transferred to the Local Municipalities..

5. VAT RECEIVABLE

Vat Receivable	3 372 995	3 006 532
Vat Payable	-	-
Vat Receivable	3 372 995	3 006 532

VAT Receivables have been restated to correctly reclassify money received from SARS. Refer to Note 33 on 'Correction of Error' for details of the restatement.

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are made before the due date.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

6. CASH AND CASH EQUIVALENTS	2013 R	2012 R
Current Investments	1 139 123	2 572 650
Bank Accounts	3 782 049	-
Cash and Cash Equivalents	<u>2 584</u>	<u>2 180</u>
	<u>4 923 755</u>	<u>2 574 830</u>
Bank Overdraft	-	(31 479)
Total Bank, Cash and Cash Equivalents	<u>4 923 755</u>	<u>2 543 350</u>
Cash and Csh Equivalents have been restated. Refer to Note 33 on 'Correction of Error' for details of the restatement.		
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
6.1 Current Investment Deposits		
Call Deposits	1 139 123	2 572 650
Total Current Investment Deposits	<u>1 139 123</u>	<u>2 572 650</u>
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.5% to 4.9% per annum.		
ABSA - Branch 632005 - Acc 4051455519	-	174 098
ABSA - Branch 632005 - Acc 4048776037	-	140 797
ABSA - Branch 632005 - Acc 1045170264	805 199	788 987
ABSA - Branch 632005 - Acc 1045180260	333 925	1 468 768
Total Current Investment Deposits	<u>1 139 124</u>	<u>2 572 650</u>
Deposits of R1 139 124 (2012: R2 572 650) are ring-fenced and attributable to Unspent Conditional Grants. For these two bank accounts the general ledger agrees to the bank statement balance.		
ABSA - Branch 632005 - Acc 4051455519		
Cash book balance at end of year	<u>3 782 049</u>	<u>(31 479)</u>
Bank statement balance at end of year	<u>1 085 081</u>	<u>(31 479)</u>
ABSA - Branch 632005 - Acc 4048776037		
Cash book balance at end of year	<u>3 782 049</u>	<u>(31 479)</u>
Bank statement balance at end of year	<u>698 400</u>	<u>(31 479)</u>
6.2 Bank Accounts		
Cash in Bank	3 782 049	-
Bank Overdraft	-	(31 479)
Total Bank Accounts	<u>3 782 049</u>	<u>(31 479)</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Municipality has the following bank accounts:

	2013	2012
	R	R
Primary Bank Account		
<i>ABSA Bank - Branch 632005 - Acc 2240000035</i>		
Cash book balance at beginning of year	(31 479)	5 229 307
Cash book balance at end of year	<u>3 782 049</u>	<u>(31 479)</u>
Bank statement balance at beginning of year	1 835 296	6 587 645
Bank statement balance at end of year	<u>1 998 568</u>	<u>1 835 296</u>
 6.3 Cash and Cash Equivalents		
Cash Floats and Advances	2 584	2 180
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>2 584</u>	<u>2 180</u>
 Petty Cash Bank Account		
<i>ABSA Bank - Branch 632005 - Acc 9266723639</i>		
Cash book balance at beginning of year	2 180	2 180
Cash book balance at end of year	<u>2 584</u>	<u>2 180</u>
Bank statement balance at beginning of year	3 059	-
Bank statement balance at end of year	<u>2 584</u>	<u>3 059</u>

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	15 800 646	3 491 758	1 543 539	-	4 689 508	42 496	25 567 947
Cost	15 800 646	4 518 876	1 543 539	-	6 874 080	521 099	29 258 240
- Completed Assets	15 800 646	4 518 876	0	-	6 874 080	521 099	27 714 701
- Under Construction	-	-	1 543 539	-	0	-	1 543 539
Accumulated Depreciation:	-	(1 027 118)	-	-	(2 184 573)	(478 603)	(3 690 293)
- Cost	-	(1 027 118)	-	-	(2 184 573)	(478 603)	(3 690 293)
Acquisitions	-	-	-	-	668 595	-	668 595
Capital under Construction - Additions:	-	-	6 164 434	-	-	-	6 164 434
- Cost	-	-	6 164 434	-	-	-	6 164 434
Depreciation:	-	(193 070)	-	-	(1 222 845)	(37 035)	(1 452 950)
- Based on Cost	-	(193 070)	-	-	(1 222 845)	(37 035)	(1 452 950)
Carrying value of Disposals:	(154 231)	(51 140)	(1 543 539)	-	(566 558)	0	(2 315 468)
- Cost	(154 231)	(431 847)	-	-	(962 018)	(345 832)	(1 893 928)
- Under Construction	-	-	(1 543 539)	-	-	-	(1 543 539)
- Accumulated Depreciation	-	380 707	-	-	395 460	345 832	1 121 999
- Based on Cost	-	380 707	-	-	395 460	345 832	1 121 999
Carrying values at 30 June 2013	15 646 415	3 247 548	6 164 434	-	3 568 700	5 461	28 632 559
Cost	15 646 415	4 087 029	6 164 434	-	6 580 658	175 267	32 653 803
- Completed Assets	15 646 415	4 087 029	0	-	6 580 658	175 267	26 489 369
- Under Construction	-	-	6 164 434	-	0	-	6 164 434
Accumulated Depreciation:	-	(839 481)	-	-	(3 011 958)	(169 805)	(4 021 244)
- Cost	-	(839 481)	-	-	(3 011 958)	(169 805)	(4 021 244)

30 June 2012

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community Assets	Other Assets	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2011	15 260 646	1 374 316	32 412 228	4 085 483	5 008 719	476 258	68 002 415
Cost	15 260 646	2 246 524	34 219 772	4 996 947	6 592 756	3 543 176	77 997 338
- Completed Assets	15 260 646	2 246 524	23 743 396	4 996 947	6 592 756	3 543 176	67 520 962
- Under Construction	-	-	10 476 376	-	0	-	10 476 376
Accumulated Depreciation:	-	(872 207)	(1 807 544)	(911 463)	(1 584 037)	(3 066 919)	(9 994 923)
- Cost	-	(872 207)	(1 807 544)	(911 463)	(1 584 037)	(3 066 919)	(9 994 923)
Acquisitions	540 000	2 272 352	5 335 461	-	1 788 514	-	9 936 327
Capital under Construction - Additions:	-	-	1 543 539	-	-	-	1 543 539
- Cost	-	-	1 543 539	-	-	-	1 543 539
Depreciation:	-	(154 910)	-	-	(1 182 823)	(409 533)	(1 747 266)
- Based on Cost	-	(154 910)	-	-	(1 182 823)	(409 533)	(1 747 266)
Carrying value of Disposals:	-	-	(37 747 689)	(4 085 483)	(924 903)	(24 228)	(52 167 068)
- Cost	-	-	(29 078 857)	(4 996 947)	(1 507 190)	(3 022 077)	(49 742 588)
- Under Construction	-	-	(10 476 376)	-	-	-	(10 476 376)
- Accumulated Depreciation	-	-	1 807 544	911 463	582 287	2 997 849	8 051 896
- Based on Cost	-	-	1 807 544	911 463	582 287	2 997 849	8 051 896
Carrying values at 30 June 2012	15 800 646	3 491 758	1 543 539	-	4 689 508	42 496	25 567 947
Cost	15 800 646	4 518 876	1 543 539	-	6 874 080	521 099	29 258 240
- Completed Assets	15 800 646	4 518 876	-	-	6 874 080	521 099	27 714 701
- Under Construction	-	-	1 543 539	-	-	-	1 543 539
Accumulated Depreciation:	-	(1 027 118)	-	-	(2 184 573)	(478 603)	(3 690 293)
- Cost	-	(1 027 118)	-	-	(2 184 573)	(478 603)	(3 690 293)

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

The municipality did not pledge any of its assets as security, except for Leases Assets.

7.4 Impairment of Property, Plant and Equipment

No Property, Plant and Equipment were impaired from active use during the financial year.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

	2013 R	2012 R
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year 2012/13:		
Budget and treasury office	(10 729)	-
Economic Development/Planning	(852)	-
Housing	(2 983)	-
Human Resources	6 928	-
Information Technology	(368)	-
Mayor and Council	(1 308)	-
Municipal Manager	(4 811)	-
Other	(1 535)	-
Other Admin	5 074	-
Property Services	(4 464)	-
Tourism	(117)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(15 165)	-

7.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

7.7 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:

Compensation received from insurers	5 677	-
Compensation received from responsible employees	1 447	408
Carrying value of lost assets	(370)	(408)
Surplus / (Deficit) on Compensation received for Lost PPE	6 755	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
8 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>139 027</u>	<u>193 654</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
30 June 2013		
Carrying values at 01 July 2012	193 654	193 654
Cost	294 940	294 940
Accumulated Amortisation	(101 285)	(101 285)
Acquisitions:	-	-
Purchased	-	-
Amortisation:	(52 962)	(52 962)
Purchased	(52 962)	(52 962)
Disposals:	(1 665)	(1 665)
At Cost	(3 761)	(3 761)
At Accumulated Amortisation	2 096	2 096
Carrying values at 30 June 2013	139 027	139 027
Cost	291 178	291 178
Accumulated Amortisation	(152 151)	(152 151)
	Computer Software	Total
30 June 2012		
Carrying values at 01 July 2011	224 654	224 654
Cost	537 602	537 602
Accumulated Amortisation	(312 948)	(312 948)
Acquisitions:	165 637	165 637
Purchased	165 637	165 637
Amortisation:	(196 637)	(196 637)
Purchased	(196 637)	(196 637)
Disposals:	-	-
At Cost	(408 300)	(408 300)
At Accumulated Amortisation	408 300	408 300
Carrying values at 30 June 2012	193 654	193 654
Cost	294 940	294 940
Accumulated Amortisation	(101 285)	(101 285)

The amortisation expense has been included in the line item 'Depreciation and Amortisation' in the Statement of Financial Performance (see Note 24).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

8.1 Significant Intangible Assets

The municipality's intangible assets only comprise of computer related software.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and none of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

8.4 Change in Estimate - Useful Life of Intangible Assets reviewed

	2013 R	2012 R
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year :		
Information Technology	(46 464)	-
Total Change in Estimate for Useful Life of Property, Plant and Equipment	(46 464)	-

9 FINANCE LEASE RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Housing Selling Scheme Loans	94 083	-	94 083
	<u>94 083</u>	<u>-</u>	<u>94 083</u>
Less: Current Portion transferred to Current Receivables:-			9 127
Housing Selling Scheme Loans			<u>9 127</u>
Total Long-term Receivables			<u>84 956</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Housing Selling Scheme Loans	122 368	-	122 368
	<u>122 368</u>	<u>-</u>	<u>122 368</u>
Less: Current Portion transferred to Current Receivables:-			13 151
Housing Selling Scheme Loans			<u>13 151</u>
Total Finance Lease Receivables			<u>109 216</u>

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the municipality with funds provided by the State, in order to enable them to purchase the houses they previously rented from the municipality. Loans are repaid over a period of twenty years and at an interest rate of 5% per annum.

9.1 Leasing Arrangements

The municipality entered into finance Leasing Arrangements house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is twenty years.

9.2 Amounts receivable under Finance Leases

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Within one year	18 971	18 971	18 971	18 971
In the second to fifth years, inclusive	75 884	75 884	75 884	75 884
Over five years	143 055	162 026	143 055	162 026
	<u>237 909</u>	<u>256 880</u>	<u>237 909</u>	<u>256 880</u>
Less: Unearned Finance Income	143 826	134 513	143 826	134 513
Present Value of Minimum Lease Payments Receivable	94 083	122 368	94 083	122 368
Provision for Uncollectable Lease Receivables	-	-	-	-
Total Finance Lease Receivables	<u>94 083</u>	<u>122 368</u>	<u>94 083</u>	<u>122 368</u>
Unearned Finance Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Included in the Annual Financial Statements as:		
Non-current Finance Lease Receivables	94 083	122 368
Total Finance Lease Receivables	94 083	122 368

The interest rate inherent in the leases are fixed at the contract date of the entire lease term. The average effective interest rate contracted is approximately 5% (2012: 5%) per annum.

Management of the municipality is of the opinion that the carrying value of Finance Lease Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

10 PROVISIONS

Performance Bonuses	414 959	445 336
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 15)	1 320 408	1 180 908
Current Portion of Non-Current Provisions (See Note 16):	180 603	52 582
Long-term Service	180 603	52 582
Total Provisions	1 915 970	1 678 826

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	445 336	469 587
Contributions to provision	341 116	326 142
Expenditure incurred	(371 493)	(350 393)
Balance at end of year	414 959	445 336

Current Portion of Non-Current Provisions:

	Land-fill Sites R	Long-term Service R	Post-retirement R
30 June 2013			
Balance at beginning of year	-	52 582	1 180 908
Transfer from non-current	-	128 021	139 500
Balance at end of year	-	180 603	1 320 408
	Land-fill Sites R	Long-term Service R	Post-retirement R
30 June 2012			
Balance at beginning of year	251 150	91 551	1 115 700
Transfer from non-current	(251 150)	(38 969)	65 208
Balance at end of year	-	52 582	1 180 908

	2013 R	2012 R
11 PAYABLES		
Trade Creditors	2 578 080	2 387 154
Retentions	582 358	633 985
Staff Leave Accrued	1 476 074	1 303 427
Other Creditors	3 125 540	171 402
Total Creditors	7 762 052	4 495 968

Trade Creditors have been restated in the previous financial year. Refer to Note 33 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
12.1 Conditional Grants from Government	1 196 044	4 181 234
National Government Grants	-	1 308 321
Provincial Government Grants	1 196 044	2 872 913
Total Conditional Grants and Receipts	1 196 044	4 181 234

Unspent Conditional Grants and Receipts have been restated to correctly classify the expenses in the Grant Register. Refer to Note 33 on 'Correction of Error' for details of the restatement.

The Unspent Grants are cash backed by VAT Receivables and Cash and Cash equivalents.

See Note 18 for the reconciliation of Grants from Government Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

13 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June 2013 as none of the contracts has any escalation clauses.

14 LONG-TERM LIABILITIES

Annuity Loans	2 560 381	3 545 687
Finance Lease Liabilities	4 160	54 012
Sub-total	2 564 541	3 599 700
Less: Current Portion transferred to Current Liabilities:-	1 079 993	1 025 498
Annuity Loans	1 075 833	975 645
Finance Lease Liabilities	4 160	49 853
Total Long-term Liabilities (Neither past due, nor impaired)	1 484 548	2 574 202

14.1 Summary of Arrangements

Annuity Loans are repaid over a period of 20 years (2 012: 20 years) and at an interest rate of 10% (2 012: 10%) per annum. The Annuity Loans are not secured.

Finance Lease Liabilities relates to Office Equipment with lease terms of 2 - 5 years (2 012: 2 - 5 years). The effective interest rate on Finance Leases is between 11% and 15.50% (2 012: 11% to 15.50%). Capitalised Lease Liabilities are secured over the items leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

14.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Lease Liabilities relates to Office Equipment with lease terms of 2 - 5 years (2 012: 2 - 5 years). The effective interest rate on Finance Leases is between 11% and 15.50% (2 012: 11% to 15.50%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	4 216	54 664	4 216	54 664
In the second to fifth years, inclusive	-	4 216	-	4 216
Over five years	-	-	-	-
	<u>4 216</u>	<u>58 880</u>	<u>4 216</u>	<u>58 880</u>
Less: Future Finance Obligations	56	4 867	56	4 867
Present Value of Minimum Lease Obligations	<u>4 160</u>	<u>54 012</u>	<u>4 160</u>	<u>54 012</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(4 160)	(49 853)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>0</u>	<u>4 160</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

	2013 R	2012 R
Included in these classes are the following significant leases:		
(i) Office Equipment	R 0	R 4 160
- Instalments are payable monthly in advance		
- Average period outstanding	1 months	7 months
- Average effective interest rate	15.50%	12.94%
- Average monthly instalment	R 4 216	R 4 147

15 RETIREMENT BENEFIT LIABILITIES

15.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	18 623 851	17 370 673
Contributions to Provision	1 798 526	952 263
Increase due to Discounting	1 302 533	1 416 615
Expenditure incurred	(1 180 908)	(1 115 700)
Balance at end of Year	<u>20 544 002</u>	<u>18 623 851</u>
Transfer to Current Provisions	(1 320 409)	(1 180 908)
Total Post-retirement Health Care Benefits Liability	<u>19 223 593</u>	<u>17 442 943</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
Continuation Members (Retirees, widowers and orphans)	34	34
Total Members	34	34
The liability in respect of past service has been estimated as follows:		
Continuation Members	20 544 002	18 623 851
Total Liability	20 544 002	18 623 851
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
- Keyhealth		
- LA Health		
The Interest Cost for the year ending 30 June 2013 is estimated to be R1 302 533 whereas the cost for the ensuing year is estimated to be R1 550 312 (30 June 2012: R1 416 615).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.79%	7.22%
Health Care Cost Inflation Rate	7.05%	6.50%
Net Effective Discount Rate	0.70%	0.68%
Expected Rate of Salary Increase	6.84%	6.50%
Expected Retirement Age - Females	67	66
Expected Retirement Age - Males	69	68
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	18 623 852	17 370 673
Interest cost	1 302 533	1 416 615
Benefits paid	(1 180 908)	(1 115 700)
Actuarial losses / (gains)	1 798 525	952 264
Present Value of Fund Obligation at the end of the Year	20 544 002	18 623 852
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	20 544 002	18 623 852
		1.00
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	20 544 002	18 623 852
Fair value of plan assets	-	-
	20 544 002	18 623 852
Present value of unfunded obligations	-	-
	20 544 002	18 623 852
Unfunded Accrued Liability	-	-
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	20 544 002	18 623 852
		1.00
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	1 302 533	1 416 615
Expected return on reimbursement rights	(1 180 908)	(1 115 700)
Actuarial losses / (gains)	1 798 526	952 263
Total Post-retirement Benefit included in Employee Related Costs (Note 22)	1 920 151	1 253 178

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	20 544 002	18 623 852	17 370 673	17 364 097	15 879 335
Fair Value of Plan Assets	-	-	-	-	-
Deficit	20 544 002	18 623 852	17 370 673	17 364 097	15 879 335

Experienced adjustments on Plan Liabilities	1 841 000	(93 000)	(425 000)	-	-
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In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2013 R	2012 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1 466 200	1 593 400
Effect on the defined benefit obligation	23 053 000	20 891 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1 164 100	1 266 800
Effect on the defined benefit obligation	18 429 000	16 707 000

The municipality expects to make a contribution of R1320409 (30 June 2012: R1180908) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

Refer to Note 40, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

16 NON-CURRENT PROVISIONS

Provision for Long Service Awards	1 193 289	942 209
Provision for Rehabilitation of Land-fill Sites	-	-
Total Non-current Provisions	1 193 289	942 209

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2013		
Balance at beginning of year	994 791	-
Contributions to provision	331 542	-
Increase due to discounting	195 430	-
Expenditure incurred	(147 871)	-
	1 373 892	-
Transfer to current provisions	(180 603)	-
Balance at end of year	1 193 289	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	821 672	5 525 302
Contributions to provision	105 693	(5 525 302)
Increase due to discounting	158 977	-
Expenditure incurred	(91 551)	-
	<u>994 791</u>	<u>-</u>
Transfer to current provisions	(52 582)	-
Balance at end of year	<u>942 209</u>	<u>-</u>

16.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 109 (2012: 86) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2013 is estimated to be R132 215, whereas the cost for the ensuing year is estimated to be R225 566 (30 June 2012: R98 250).

	2013	2012
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.25%	6.52%
Cost Inflation Rate		
Net Effective Discount Rate	0.47%	0.53%
Expected Rate of Salary Increase	6.75%	5.96%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	994 791	821 672
Current service costs	132 215	98 250
Interest cost	63 215	60 727
Benefits paid	(147 871)	(91 551)
Actuarial losses / (gains)	331 542	105 693

Present Value of Fund Obligation at the end of the Year

	<u>1 373 892</u>	<u>994 791</u>
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	<u>1 373 892</u>	<u>994 791</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1 373 892	994 791
	<u>1 373 892</u>	<u>994 791</u>
Present value of unfunded obligations	-	-
Unfunded Accrued Liability	1 373 892	994 791
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	<u>1 373 892</u>	<u>994 791</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	132 215	98 250
Interest cost	63 215	60 727
Expected return on reimbursement rights	(147 871)	(91 551)
Actuarial losses / (gains)	331 542	105 693
Total Long Service Awards Benefit included in Employee Related Costs (Note 22)	<u>379 101</u>	<u>173 119</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The history of experienced adjustments is as follows:

	2013 R	2012 R	2011 R	2010 R	2009 R
Present Value of Defined Benefit Obligation	1 373 892	994 791	821 672	1 189 497	1 107 940
Deficit	1 373 892	994 791	821 672	1 189 497	1 107 940
Experienced adjustments on Plan Liabilities	188 283	38 977	(540 114)	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2013 R	2012 R
Increase:		
Effect on the aggregate of the current service cost and the interest cost	209 400	169 910
Effect on the defined benefit obligation	1 419 000	1 064 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	182 800	149 173
Effect on the defined benefit obligation	1 249 000	932 000

The municipality expects to make a contribution of R180 603 (2012: R52 582) to the defined benefit plans during the next financial year.

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

16.2 Rehabilitation of Land-fill Sites

The municipality has not incurred rehabilitation costs in 2013 and 2012 to restore the site at the end of its useful life due to the fact that the Landfill Sites were transferred to other municipalities. No provision has been made for the net present value in the current financial year.

17 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	3 386 531	319 449
Total Accumulated Surplus	3 386 531	319 449

Accumulated Surplus has been restated to correctly classify amounts held by the municipality. Refer to Note 33 ('Correction of error') for details of the restatements.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18 GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	42 890 000	39 553 000
Operational Grants	<u>42 890 000</u>	<u>39 553 000</u>
Conditional Grants	16 000 504	14 597 277
Provincial: DRD Water pipeline Grant	576 440	2 335 905
Provincial: DWA Water pipeline Grant	69 304	2 911 789
Provincial: Housing Accreditation DPLG National	300 000	1 689 566
National: FMG	1 250 000	1 250 000
National: MIG	1 308 321	2 753 436
National: MSIG	1 000 000	790 000
Provincial: Disaster Management - Near Project Subsidy	-	218 593
Provincial: Disaster Management - Fire Equipment Grant	-	212 169
Provincial: EPWP Incentive Grant	1 000 000	2 144 815
Provincial: DRD Sewer network and oxidation ponds RVM V/V	6 731 013	-
Provincial: Department Housing - Houses	3 765 425	291 004
Total Government Grants and Subsidies	<u><u>58 890 504</u></u>	<u><u>54 150 277</u></u>
Attributable to:		
Continuing Operations	58 890 504	54 150 277
Discontinued Operations	-	-
	<u><u>58 890 504</u></u>	<u><u>54 150 277</u></u>

Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 33 on 'Correction of Error' for details of the restatement.

Operational Grants:

18.1 National: Equitable Share

42 890 000 39 553 000

In terms of the Constitution, this grant was used in the 2013 financial year under review to subsidise the provision of basic services to indigent community members.

In the current financial year the grant was used for operational expenses.

Conditional Grants:

18.2 Provincial: COGHSTA - DRD Water pipeline RVM Mission

Balance overspent at beginning of year	-	(922 553)
Current year receipts	576 440	3 037 907
Over expenditure on Grant transferred to operating expenses	-	220 551
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(576 440)	(2 335 905)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u>-</u>	<u>-</u>

The purpose of this grant was for the erection of Bulk water supply at Riemvasmaak Sending to provide water to the community.

18.3 Provincial: DWA Water pipeline RVM Mission

Balance unspent at beginning of year	69 304	-
Current year receipts	-	3 068 721
Over expenditure on Grant transferred to operating expenses	-	(87 628)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(69 304)	(2 911 789)
Conditions still to be met - transferred to Liabilities (see Note 12)	<u><u>0</u></u>	<u><u>69 304</u></u>

The purpose of this grant was for the erection of Bulk water supply at Riemvasmaak Sending to provide water to the community.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18.4 Provincial: Housing Accreditation DPLG National		
Balance unspent at beginning of year	(1 170 966)	(429 900)
Current year receipts	999 999	948 500
Over expenditure on Grant transferred to operating expenses	470 967	-
Conditions met - transferred to Revenue: Operating Expenses	(300 000)	(1 689 566)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Grant overspent - transferred to Receivable (see Note 4)	-	(1 170 966)

The purpose of this grant was to allow the municipality to build capacity in-house for the performing of the housing function.

18.5 National: FMG

Balance unspent at beginning of year	-	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to Revenue: Operating Expenses	(1 250 000)	(1 250 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Grant is also used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA as part of strengthening financial and asset management in the municipality.

18.6 National: MIG

Balance unspent at beginning of year	1 308 321	4 061 757
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(1 308 321)	(2 753 436)
Conditions still to be met - transferred to Liabilities (see Note 12)	-	1 308 321

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure, to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities as part of the upgrading of previously disadvantaged areas. No funds have been withheld.

18.7 National: MSIG

Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	790 000
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(790 000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

The Municipal Systems Improvement Grant is allocated to assist the municipality in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy. No funds have been withheld.

18.8 Provincial: Disaster Management - Near Project Subsidy

Balance unspent at beginning of year	798 200	495 793
Current year receipts	-	521 000
Conditions met - transferred to Revenue: Operating Expenses	-	(218 593)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	798 200	798 200

To enhance Municipalities capacity to deal with disasters and emergencies.

18.9 Provincial: Disaster Management - Fire Equipment Grant

Balance unspent at beginning of year	397 844	239 014
Current year receipts	-	371 000
Conditions met - transferred to Revenue: Operating Expenses	-	(212 169)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	397 844	397 844

To enhance Municipalities capacity to deal with fire incidents.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18.10 Provincial: EPWP Incentive Grant		
Balance unspent at beginning of year	-	1 654 815
Current year receipts	1 000 000	490 000
Conditions met - transferred to Revenue: Operating Expenses	(1 000 000)	(2 144 815)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	-

To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.

18.11 DRD Sewer network and oxidation ponds RVM V/V

Balance unspent at beginning of year	104 000	104 000
Current year receipts	6 627 014	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(6 731 013)	-
Conditions still to be met - transferred to Liabilities (see Note 12)	-	104 000

This grant was used to improve sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. No funds have been withheld.

18.12 Department of Housing Grant - Houses

Balance unspent at beginning of year	1 503 566	1 029 656
Current year receipts	2 261 860	764 913
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3 765 425)	(291 004)
Conditions still to be met - transferred to Liabilities (see Note 12)	-	1 503 566

This grant was used to improve sewerage and water infrastructure as part of the upgrading of informal settlement areas. Funds received for example implementation readiness study for Riemvasmaak Mission Water pipeline. No funds have been withheld.

18.13 Summary of Conditional Grants:

Balance unspent at beginning of year	3 010 268	6 232 581
Current year receipts	13 715 312	11 242 041
Over expenditure on Grant transferred to operating expenses	470 967	132 923
Conditions met - transferred to Revenue: Operating Expenses	(3 550 000)	(6 305 143)
Conditions met - transferred to Revenue: Capital Expenses	(12 450 503)	(8 292 134)
Conditions still to be met - transferred to Liabilities (see Note 12)	1 196 044	3 010 268

Grants classified under Receivables from Non-exchange Transactions	-	(1 170 966)
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Unspent Conditional Grants (Current Liabilities)	1 196 044	4 181 234
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19 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	141 070	8 625
Total Rental of Facilities and Equipment	141 070	8 625
Attributable to:		
Continuing Operations	141 070	8 625
	141 070	8 625

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
20 INTEREST EARNED		
External Investments:		
Investments and Bank Account	300 287	529 336
	<u>300 287</u>	<u>529 336</u>
Outstanding Debtors:		
Finance Leases	5 279	6 460
	<u>5 279</u>	<u>6 460</u>
Total Interest Earned	<u>305 567</u>	<u>535 796</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	300 287	529 336
Loans and Receivables	5 279	6 460
	<u>305 567</u>	<u>535 796</u>
Interest Earned on Non-financial Assets	-	-
	<u>305 567</u>	<u>535 796</u>

Revenue recognised in respect of Financial Assets designated as at 'fair value' is disclosed in Note 39.

21 OTHER REVENUE

MIG Admin Fee	-	345 665
Admin Revenue	199 552	527 010
Clearances	-	1 647
Commission - Insurance	27 707	19 647
Fines - Regional Levies	1 602	-
Monies sundries	1 775 913	-
Shared Services	510 000	-
Tender Deposits	1 972	9 472
Total Other Revenue	<u>2 516 746</u>	<u>903 441</u>
Attributable to:		
Continuing Operations	2 516 746	903 441
	<u>2 516 746</u>	<u>903 441</u>

Other Revenue has been restated to correctly classify revenue to be included in the category of Other Revenue. Refer to Note 33 on 'Correction of Error' for details of the restatement.

22 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	22 993 373	20 889 551
Basic Salaries and Wages	21 295 182	18 857 737
Contribution to Leave Fund	243 167	459 926
Service Bonuses	1 455 023	1 571 888
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 533 102	4 704 184
Medical	2 762 754	2 635 217
Pension	2 364 989	1 738 363
Industrial Council Levy	9 571	4 256
Skills Development Levy	231 467	190 257
UIF	164 320	136 091
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 603 723	2 184 987
Allowances	2 603 723	2 184 987
Housing Benefits and Allowances	258 553	245 441
Overtime Payments	-	71 571
Performance Bonuses	341 116	342 910
Defined Benefit Plan Expense:	2 447 122	1 426 298
Current Service Cost	132 215	-
Interest Cost	63 215	-
Net Actuarial (gains)/losses recognised	2 251 692	1 426 298
Total Employee Related Costs	<u>34 176 989</u>	<u>29 864 942</u>
Attributable to:		
Continuing Operations	34 176 989	29 864 942
	<u>34 176 989</u>	<u>29 864 942</u>

Employee Related Costs has been restated to correctly classify expenditure incurred for UIF and SDL. Refer to Note 33 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	775 750	729 000
Performance Bonus	148 593	113 287
Car and Other Allowances	284 131	256 766
Company Contributions to UIF, Medical and Pension Funds	1 713	1 497
Total	1 210 187	1 100 551
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	230 000	120 000
Performance Bonus	111 450	84 625
Bonus	60 000	75 000
Car Allowance	415 908	477 599
Company Contributions to UIF, Medical and Pension Funds	76 348	55 278
Housing	15 600	15 600
Total	909 306	828 101
<i>Remuneration of the Manager: Support Services</i>		
Annual Remuneration	459 296	471 598
Performance Bonus	111 450	84 625
Bonus	42 000	39 296
Car Allowance	215 889	216 000
Company Contributions to UIF, Medical and Pension Funds	1 564	1 497
Housing	14 300	15 600
Total	844 499	828 616
<i>Remuneration of the Manager: Technical Services</i>		
Annual Remuneration	-	188 500
Performance Bonus	-	84 625
Car Allowance	-	66 348
Company Contributions to UIF, Medical and Pension Funds	-	46 725
Housing	-	6 500
Leave Pay-out	-	31 008
Total	-	423 705

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	84 240	61 236
Director: Finance	24 000	20 640
Director: Support Services	92 736	75 448
Total	200 976	157 324

23 REMUNERATION OF COUNCILLORS

Mayor	484 162	461 895
Speaker	387 329	367 136
Executive Committee Members	543 385	511 418
Councillors	718 572	617 181
Company Contributions to UIF, Medical and Pension Funds	29 702	27 946
UIF	3 426	6 408
Skills Development Levy	26 276	21 538
Other Allowances (Cellular Phones, Housing, Transport, etc.)	746 356	720 524
Telephone Allowance	95 672	72 947
Travelling Allowance	650 683	647 577
Total Councillors' Remuneration	2 909 505	2 706 099

Remuneration of Councillors has been restated to correctly classify expenditure incurred for UIF and SDL. Refer to Note 33 on 'Correction of Error' for details of the restatement.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In-kind Benefits

The Councillors occupying the positions of Executive Mayor and Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

Councillors may utilise official Council transportation when engaged in official duties.

The Executive Mayor has use of Council owned vehicles for official duties.

	2013 R	2012 R
24 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	1 452 950	1 747 266
Amortisation: Intangible Assets	52 962	196 637
Total Depreciation and Amortisation	1 505 912	1 943 903
Attributable to:		
Continuing Operations	1 505 912	1 943 903
	1 505 912	1 943 903
25 IMPAIRMENT LOSSES		
25.1 Impairment Losses on Financial Assets		
Impairment Losses Recognised (written off during the current year):	-	1 638 616
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	1 638 616
Movement in the Provision for Receivables from Non-exchange Transactions:	-	(987 820)
Receivables from Non-exchange Transactions	-	(987 820)
	-	650 796
Total Impairment Losses	-	650 796
Attributable to:		
Continuing Operations	-	650 796
Discontinued Operations - Transfer of Receivables from Non-exchange Transactions	-	-
	-	650 796
26 FINANCE COSTS		
Finance Leases	7 104	76 463
Landfill Provision	-	-
Loans and Payables at amortised cost	318 783	411 413
Total Interest Expense	325 887	487 876
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	325 887	487 876
Attributable to:		
Continuing Operations	325 887	487 876
	325 887	487 876
27 CONTRACTED SERVICES		
Professional Fees	1 157 420	3 112 372
Total Contracted Services	1 157 420	3 112 372

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
28 GRANTS AND SUBSIDIES PAID		
Conditional Grants Paid	3 544 561	2 779 077
Total Grants and Subsidies	3 544 561	2 779 077

Grants and Subsidies Paid have been restated to correctly reclassify Grants and Subsidies paid out of General Expenses. Refer to Note 33 on 'Correction of Error' for details of the restatement.

These expenditure were incurred in respect of operational conditional grants, ex. FMG and MSIG, and internal projects launched by council at disadvantage communities

29 GENERAL EXPENSES

Included in General Expenses are the following:

External Audit Fees	1 662 336	2 217 436
Accounting	165 450	505 618
Advertisements	114 450	174 269
Bank charges	70 974	71 611
Bouquets	7 689	5 957
Brochures	26 000	38 085
Clean town campaign	-	2 228
Cleaning materials	23 005	22 874
Cleaning Services	66 896	65 472
Community Service	17 350	2 618
Compensation Commissioner	5 608	106 741
Congress	4 512	41 330
Consumables	57 031	158 919
Contracts	252 991	216 846
Courses	(1 200)	600
Disaster management	-	218 593
Donations	1 037	7 000
Elections	-	23 499
Electricity	240 769	325 817
Engineering Services	-	132 923
Entertainment Costs	199 150	327 719
Fuel and Oil	663 544	753 512
Information Technology	54 854	56 723
Insurance	247 468	327 518
Internet Charges	267 071	430 677
Job creation	-	28 935
Legal Fees	88 971	113 414
License Fees	8 080	15 304
Material	9 820	-
Mayoral Funds	969 464	893 280
Membership Fees	245 099	497 995
Operating project	1 959 323	262 112
Parts	13 517	14 449
Performance management	-	209 784
Postage Fees	9 077	30 962
Printing & Stationary	260 862	315 330
Property rates	142 723	96 055
Protective Clothing	5 436	6 413
Radios	-	1 280
Refreshments	9 094	16 970
Rental of assets	907 438	787 425
Sanitation and sewerage	71 045	66 914
Special programmes	144 633	-
Specimen analysis	1 445	2 209
Study aid	46 078	22 190
Reimbursements	1 135 574	1 254 440
Sundry Expenses	221 104	378 775
Telephone	470 349	694 761
Tourism	-	9 347
Training	197 317	239 988
Translation services	27 710	30 855
Transport of water	-	-
Travel Costs	1 549 454	1 622 393

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
Uniforms	31 415	34 632
Vehicle expenses	67 772	42 631
Water costs	26 732	30 626
Youth development	25 500	47 030
Total General Expenses	12 792 016	14 001 081

General Expenses have been restated to correctly reclassify expenses. Refer to Note 33 on 'Correction of Error' for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

30 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Losses with disposal of PPE	112 761	207 286
Losses on write-offs	(997 005)	93 157
Losses on Transfer of PPE to Local Municipalities	2 564 054	41 993 076
Net Other Losses	1 679 810	42 293 519
Attributable to:		
Continuing Operations	(884 244)	300 443
Discontinued Operations - Transfer of PPE	2 564 054	41 993 076
	1 679 810	42 293 519

Loss on disposal of Property, Plant and Equipment has been restated to correctly reclassify Debtors transferred to Local Municipalities. Refer to Note 33 on 'Correction of Error' for details of the restatement.

31 DISCONTINUED OPERATIONS

31.1 Provision for Rehabilitation of Landfill Sites

Landfill Sites (Riemvasmaak: Vredesvallei and Sending) have been transferred to Kai Garib Municipality on 1 July 2011 in terms of Proclamation 15/2010 Provincial Gazette dated 4 February 2010.
Landfill Sites (Swartkopdam) have been transferred to Mier Municipality on 1 July 2011 in terms of Proclamation 14/2010 Provincial Gazette dated 4 February 2010.

31.2 Property, Plant and Equipment

Property, Plant and Equipment (Riemvasmaak: Vredesvallei and Sending) have been transferred to Kai Garib Municipality on 1 July 2011 in terms of Proclamation 15/2010 Provincial Gazette dated 4 February 2010.
Property, Plant and Equipment (Swartkopdam) have been transferred to Mier Municipality on 1 July 2011 in terms of Proclamation 14/2010 Provincial Gazette dated 4 February 2010.

31.3 Receivables from Non-exchange Transactions

The DMA Property Rates / Valuation rolls have been transferred in term of Proclamation 10/2010 dated 4/2/2010 to Kheis Municipality , Proclamation 11 dated 4/2/2010 to Khara Hais Municipality, Proclamation 14 dated 4/2/2010 to Mier Municipality, Proclamation 15/2010 dated 4/8/2010 to Kai garib Municipality.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Landfill Sites	Property, Plant and Equipment	Receivables from Non-exchange Transactions	Total
	R	R	R	R
30 June 2013				
REVENUE				
Other Income	-	-	-	-
Total Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LESS: EXPENDITURE		2 564 054	-	2 564 054
Impairment Losses	-	-	-	-
Loss on Disposal of Property, Plant and Equipment	-	2 564 054	-	2 564 054
Repairs and Maintenance	-	-	-	-
General Expenses	-	-	-	-
	<u>-</u>	<u>(2 564 054)</u>	<u>-</u>	<u>(2 564 054)</u>
Net Surplus/(Deficit) from Discontinued Operations	<u>-</u>	<u>(2 564 054)</u>	<u>-</u>	<u>(2 564 054)</u>

30 June 2012				
REVENUE				
Other Income	5 525 302	-	-	5 525 302
Total Income	<u>5 525 302</u>	<u>-</u>	<u>-</u>	<u>5 525 302</u>
LESS: EXPENDITURE		41 993 076	650 796	42 643 872
Impairment Losses	-	-	650 796	650 796
Loss on disposal of Property, Plant and Equipment	-	41 993 076	-	41 993 076
	<u>5 525 302</u>	<u>(41 993 076)</u>	<u>(650 796)</u>	<u>(37 118 570)</u>
Gain / (Loss) on re-measurement to Fair Value, less Costs to Sell		-	-	-
Gain / (Loss) on disposal of Operation		-	-	-
Net Surplus/(Deficit) from Discontinued Operations	<u>5 525 302</u>	<u>(41 993 076)</u>	<u>(650 796)</u>	<u>(37 118 570)</u>

32 CHANGE IN ACCOUNTING POLICY

The municipality adopted no Accounting Standards for the first time during the financial year 2012/13 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

33 CORRECTION OF ERROR

	2013 R	2012 R
Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.		
Details of the appropriations are as follows:		
Opening balance surplus account (excluding Surplus/Deficit)	319 449	47 516 872
Corrections on Opening balance:		
Correction of 2010/11 VAT Receivables (refer VAT Receivables below)	-	(311 362)
Correction of 2010/11 Proclamation Assets transferred	-	(9 384 765)
Correction of 2010/11 Bank in 2012/13 (refer Cash and Cash Equivalents below)	-	(4 702)
Published Surplus / (deficit) for the year 2011/2012	3 067 082	(41 052 984)
Unappropriated Surplus Account:		
Correction of General Expenses - Travel Cost	-	(171 402)
Correction of Trade Creditors	-	(12 215)
Correction of Cash and Cash Equivalents	-	11 550
Correction of Other Creditors	-	18 688
Correction of PPE	-	3 330 536
Correction of VAT Receivables	-	(1 447 384)
Correction of Unspent Conditional Grants	-	1 826 617
Increase / (Decrease) in Unappropriated Surplus Account	<u>-</u>	<u>3 556 389</u>
Closing balance Surplus Account	3 386 531	319 449
Increase / (Decrease) in Accumulated Surplus Account	<u>-</u>	<u>3 556 389</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Nature

General Expenses - Travel Cost

During the preparation of the 2012/2013 annual financial statements it was noted that the travel cost of directors was incorrectly calculated. The travel cost was retrospectively corrected.

Trade Creditors

SAMRAS performed a reconciliation on the creditors' sub-ledger and creditors' votes. Shadow Transactions were created in the 2011/2012 financial year due to outstanding orders from prior years. These shadow transactions were rolled-over by the system to the 2012/2013 financial year. Therefore ZFM corrected the Trade Creditors in the 2011/12 financial year.

Cash and Cash Equivalents

During the preparation of the 2012/2013 annual financial statements it was noted that there were 2011/2012 transactions in the 30 June 2013 Bank Reconciliation. The balance was adjusted in accordance with GRAP.

Other Creditors

During the preparation of the 2012/2013 annual financial statements it was noted that Other Creditors on 30 June 2012 were treated incorrectly and did not agree to supporting evidence. The balance was adjusted in accordance with GRAP.

VAT Receivables

- 1) VAT paid over from SARS were incorrectly recognised in the 2011/2012 financial year as a Other Income. The VAT must be received against VAT Receivables. The balance was adjusted in accordance with GRAP.
- 2) During the preparation of the 2012/2013 annual financial statements it was noted that the Debtors balance that was transferred to Local Municipalities in 2012/13 were transferred without taking VAT into account. Therefore the loss on transfer of Debtors was adjusted with the VAT portion according to GRAP.

Unspent Conditional Grant

- 1) The expenses in the 2011/2012 Unspent Conditional Grant Register were captured excluding of VAT. Therefore the VAT portion on the expenses was not transferred to revenue in 2011/2012 financial year. The balance was adjusted in accordance with GRAP.
- 2) The EPWP Unspent Conditional Grant expenses were not transferred to revenue in the 2011/2012 financial year. The EPWP project was completed and the unspent portion was not claimed back by Provincial DPWRT. The balance was adjusted in accordance with GRAP.

Property Plant and Equipment

In terms of the under mentioned proclamations issued under Provincial Gazette 1380 of 4 February 2010, the DMA (District Management Area) of ZFM DM shall be deemed to be transferred with effect from 18 May 2011 (Municipal Election) to the mentioned Municipalities (as per Demarcation Board boundaries):

- 10/2010 = Kheis Municipality
- 11/2010 = Khara Hais Municipality
- 14/2010 = Mier Municipality
- 15/2010 = Kai Garib municipality

In some cases the transport is still in process although the B-Municipalities are using this properties for service delivery. The balances were adjusted in accordance with GRAP.

33.1 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

		2011/2012 Expenditure	Adjustment	Restated Amount
Government Grants and Subsidies Received	Note 18	(52 190 737)	(1 959 540)	(54 150 277)
Other Income	Note 21	(2 628 256)	1 724 815	(903 441)
		<u>(54 818 993)</u>	<u>(234 725)</u>	<u>(55 053 719)</u>

Nature

Government Grants and Subsidies Received

- 1) The expenses in the 2011/2012 Unspent Conditional Grant Register were captured excluding of VAT. Therefore the VAT portion on the expenses was not transferred to revenue in 2011/2012 financial year. The balance was adjusted in accordance with GRAP.
- 2) The EPWP Unspent Conditional Grant expenses were not transferred to revenue in the 2011/2012 financial year. The EPWP project was completed and the unspent portion was not claimed back by Provincial DPWRT. The balance was adjusted in accordance with GRAP.

Other Income

VAT paid over from SARS were incorrectly recognised in the 2011/2012 financial year as a Other Income. The VAT must be received against VAT Receivables. The balance was adjusted in accordance with GRAP.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

33.2 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

		2011/2012 Expenditure	Adjustment	Restated Amount
Employee Related Costs	Note 22	29 892 888	27 946	29 864 942
Remuneration of Councillors	Note 23	2 678 154	(27 946)	2 706 099
Depreciation and Amortisation	Note 24	2 155 258	0	2 155 257
Grants and Subsidies Paid	Note 28	2 790 627	11 550	2 779 077
General Expenses	Note 29	13 703 229	(297 852)	14 001 081
Loss on Disposal of Property, Plant and Equipment	Note 30	45 901 485	3 607 967	42 293 519
		97 121 640	3 321 665	93 799 976

Nature

Employee Related Costs & Remuneration of Councillors

SDL and UIF of Councillors were incorrectly recognised under Employee Related Cost in the 2011/2012 financial year.

Grants and Subsidies Paid

During the preparation of the 2012/2013 annual financial statements it was noted that there were 2011/2012 transactions in the 30 June 2013 Bank Reconciliation. The balance was adjusted in accordance with GRAP.

Depreciation and Amortisation

In terms of the under mentioned proclamations issued under Provincial Gazette 1380 of 4 February 2010, the DMA (District Management Area) of ZFM DM shall be deemed to be transferred with effect from 18 May 2011 (Municipal Election) to the mentioned Municipalities (as per Demarcation Board boundaries):

- 10/2010 = Kheis Municipality
- 11/2010 = Khara Hais Municipality
- 14/2010 = Mier Municipality
- 15/2010 = Kai Garib municipality

In some cases the transport is still in process although the B-Municipalities are using this properties for service delivery.

The balances were adjusted in accordance with GRAP.

General Expenses

1) During the preparation of the 2012/2013 annual financial statements it was noted that the travel cost of directors was incorrectly calculated. The travel cost was retrospectively corrected.

2) SAMRAS performed a reconciliation on the creditors' sub-ledger and creditors' votes. Shadow Transactions were created in the 2011/2012 financial year due to outstanding orders from prior years. These shadow transactions were rolled-over by the system to the 2012/2013 financial year. Therefore we corrected the General Expenses in the 2011/12 financial year.

3) During the preparation of the 2012/2013 annual financial statements it was noted that Other Creditors on 30 June 2012 were treated incorrectly and did not agree to supporting evidence. The balance was adjusted in accordance with GRAP.

Loss on Disposal of Property, Plant and Equipment

1) During the preparation of the 2012/2013 annual financial statements it was noted that the Debtors balance that was transferred to Local Municipalities in 2012/13 were transferred without taking VAT into account. Therefore the loss on transfer of Debtors was adjusted with the VAT portion according to GRAP .

2) In terms of the under mentioned proclamations issued under Provincial Gazette 1380 of 4 February 2010, the DMA (District Management Area) of ZFM DM shall be deemed to be transferred with effect from 18 May 2011 (Municipal Election) to the mentioned Municipalities (as per Demarcation Board boundaries):

- 10/2010 = Kheis Municipality
- 11/2010 = Khara Hais Municipality
- 14/2010 = Mier Municipality
- 15/2010 = Kai Garib municipality

In some cases the transport is still in process although the B-Municipalities are using this properties for service delivery.

The balances were adjusted in accordance with GRAP.

33.3 Reclassification of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly

The effect of the Correction of Error is as follows:

		2011/2012 Financial Position	Adjustment	Restated Amount
Assets				
Receivables from Exchange Transactions	Note 3	199 079	(158 464)	40 616
Receivables from Non-exchange Transactions	Note 4	1 349 564	(220 551)	1 129 013
VAT Receivable	Note 5	4 765 278	(1 758 746)	3 006 532
Property, Plant and Equipment	Note 7	31 622 175	(6 054 228)	25 567 947
Liabilities				
Payables	Note 11	(4 462 872)	(33 096)	(4 495 968)
Unspent Conditional Grants and Receipts	Note 12	(6 228 402)	2 047 168	(4 181 234)
Bank Overdraft	Note 6	(64 956)	33 477	(31 479)
		27 179 866	(6 144 441)	21 035 426

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Nature

Receivables from Exchange Transactions

During the preparation of the 2012/2013 annual financial statements it was noted that outstanding orders on 30 June 2012 were incorrectly mapped under Receivables from Exchange Transactions. ZFM remapped this balance to Payables in 2011/2012 financial year.

Receivables from Non- Exchange Transactions

The expenses in the 2011/2012 Unspent Conditional Grant Register were captured excluding of VAT. Therefore the VAT portion on the expenses was not transferred to revenue in 2011/2012 financial year. These Unspent Grants were overspent in 2011/12 and were clasified under Receivables from Non- Exchahge Transactions. The balance was adjusted in accordance with GRAP.

VAT Receivable

VAT paid over from SARS were incorrectly recognised in the 2011/2012 financial year as a Other Income. The VAT must be received against VAT Receivables. The balance was adjusted in accordance with GRAP.

Property Plant and Equipment

In terms of the under mentioned proclamations issued under Provincial Gazette 1380 of 4 February 2010, the DMA (District Management Area) of ZFM DM shall be deemed to be transferred with effect from 18 May 2011 (Municipal Election) to the mentioned Municipalities (as per Dermacation Board boundries):

- 10/2010 = Kheis Municipality
- 11/2010 = Khara Hais Municipality
- 14/2010 = Mier Municipality
- 15/2010 = Kai Garib municipality

In some cases the transport is still in process although the B-Municipalities are using this properties for service delivery. The balances were adjusted in accordance with GRAP.

Unspent Conditional Grants and Receipts

- 1) The expenses in the 2011/2012 Unspent Conditional Grant Register were captured excluding of VAT. Therefore the VAT portion on the expenses was not transferred to revenue in 2011/2012 financial year. The balance was adjusted in accordance with GRAP.
- 2) The EPWP Unspent Conditional Grant expenses were not transferred to revenue in the 2011/2012 financial year. The EPWP project was completed and the unspent portion was not claimed back by Provincial DPWRT. The balance was adjusted in accordance with GRAP.

Payables

- 1) During the preparation of the 2012/2013 annual financial statements it was noted that outstanding orders on 30 June 2012 were incorrectly mapped under Receivables from Exchange Transactions. We remapped this balance to Payables in 2011/2012 financial year.
- 2) During the preparation of the 2012/2013 annual financial statements it was noted that the travel cost of directors was incorrectly calculated. The travel cost was retrospectively corrected.

Bank Overdraft

During the preparation of the 2012/2013 annual financial statements it was noted that there were 2010/11 and 2011/12 transactions in the 30 June 2013 Bank Reconciliation. The balance was adjusted in accordance with GRAP.

	2013 R	2012 R
34 CHANGE IN ACCOUNTING ESTIMATES		
34.1 Depreciation Expenditure:		
The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2013 and no changes were made for the 2012/13 financial year.		
Adjustments were made to the remaining useful lives in the current year and affected the amount of depreciation for the 2011/12 financial year. The adjustments are as follows:		
Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	15 165	-
Increase / (Decrease) in Depreciation of PPE	15 165	-
Depreciation as previously stated	1 490 747	1 943 903
Adjustment due to Change in Accounting Estimate	15 165	-
Depreciation as per Note 24	1 505 912	1 943 903

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
35 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	3 067 082	(41 052 984)
Adjustment for:		
Correction of Prior Year Errors (refer Note 33)	-	(6 144 439)
Correction of Prior Year Errors (refer Statement of Changes in Nett Assets)	-	(697 661)
Depreciation and Amortisation	1 505 912	1 943 903
Loss / (Gains) on Disposal of Property, Plant and Equipment	2 540 406	52 167 068
Loss / (Gains) on Disposal of Intangible Assets	1 665	-
Contribution to Retirement Benefit Liabilities	2 961 558	2 303 670
Expenditure incurred from Retirement Benefit Liabilities	(1 180 908)	(1 115 700)
Contribution to Provisions - Current	608 637	101 231
Expenditure incurred from Provisions - Current	(371 493)	(350 393)
Contribution to Provisions - Non-current	398 951	(4 970 513)
Expenditure incurred from Provisions - Non-current	(147 871)	(91 551)
Contribution to Impairment Provision	(811 099)	(987 820)
Bad Debts Written-off	-	-
Operating surplus before working capital changes	8 572 839	1 104 811
Decrease/(Increase) in Inventories	9 348	116 949
Decrease/(Increase) in Receivables from Exchange Transactions	20 767	216 818
Decrease/(Increase) in Receivables from Non-exchange Transactions	1 927 862	3 564 398
Decrease/(Increase) in VAT Receivable	(366 463)	(168 352)
Decrease/(Increase) in Current Portion of Finance Lease Receivables	4 024	(640)
Increase/(Decrease) in Payables	3 266 084	1 667 590
Increase/(Decrease) in Conditional Grants and Receipts	(2 985 190)	(3 934 000)
Cash generated by / (utilised in) Operations	10 449 271	2 567 573

36 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

36.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	1 359 044
Unauthorised Expenditure current year (refer detail below)	-	16 209 363
Expenditure investigated and approved by Council	-	(17 568 407)
Unauthorised Expenditure awaiting authorisation	-	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted Expenditure votes exceeded:-</i>	
- Executive and Council - R0 (2012: R0)	None
- Budget and Treasury Office - R0 (2012: R0)	None
- Corporate Services - R0 (2012: R0)	None
- Municipal Support - R0 (2012: R16 209 363)	None

	2013 R	2012 R
36.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	-	-
Fruitless and Wasteful Expenditure current year	20 968	113 492
Expenditure investigated and approved by Council	(20 968)	(113 492)
Fruitless and Wasteful Expenditure awaiting condonement	-	-

Incident	Disciplinary Steps	Amount
MTN: Cell phone we used for meter readings by Riemvasmaak officials were supposed to be transferred to KailGarib municipality. The transfers did not take place and the account was issued to ZF Mgcawu District Municipality.	Investigated and no disciplinary steps to be taken by Council	830
Telkom: Interest charged on late payment due to cash focus reference delay.	Investigated and no disciplinary steps to be taken by Council	1 391
Matrix: The matrix device were removed from the vehicle that were sold and installed in the new vehicles that the municipality purchased. A decision was taken to purchase and install new vehicle tracking devices. The subscription of the matrix devices were cancelled except for one vehicle device.	Investigated and no disciplinary steps to be taken by Council	984
Kenhardt Stands: Interest was paid on outstanding property rates of ZFM. This was paid to obtain clearance certificates for the transfer of properties.	Investigated and no disciplinary steps to be taken by Council	17 763
Total:		20 968

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
36.3 Irregular Expenditure		
Reconciliation of Irregular Expenditure:		
Opening balance	-	324 487
Irregular Expenditure current year	537 634	3 602 030
Expenditure investigated and approved by Council	(493 975)	(3 926 517)
To be recovered – contingent asset (see Note 43)	(43 659)	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings	Amount
Cell phone expenses above approved limits	Investigated and no disciplinary steps to be taken by Council	13 266
PWC is the owners of the ePerform system and that is the reason why they must render the service.	Investigated and no disciplinary steps to be taken by Council	460 708
We had a rental lease with Nashua for copy machines. The lease ended, but the debit order was still deducted. This amount will be recovered by attorneys. Estimated legal cost is R20 000. Refer Contingent Assets (Note 43)	R43659.41 To be recovered – contingent asset (Note 43). R20000 Written off by Council	63 659
Total:		<u>537 634</u>

	2013 R	2012 R
37 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		

37.1 Contributions to organised local government - SALGA

Opening Balance	58 053	116 402
Council Subscriptions	400 000	209 575
Amount Paid - current year	(458 053)	(267 924)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>58 053</u>

37.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 662 336	2 217 436
Amount Paid - current year	(1 662 336)	(2 217 436)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

37.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

37.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	5 149 110	4 280 912
Amount Paid - current year	(5 149 110)	(4 280 912)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

37.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	4 182 859	5 175 672
Amount Paid - current year	(4 182 859)	(5 175 672)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

37.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

37.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

37.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council quarterly, which condoned the various cases.

ZF MGCAWU DISTRICT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Successful Tenderer	Occasions	Reason	Amount
ADMINISTRATION	Compufin	1	Emergency	524
	Various	3	Impractical for procurement processes	11 730
	Various	2	Single provider only	11 422
6 Occasions during the year amounts to R23 676.29				
CORPORATE SERVICES	Oranje Nissan	3	Impractical for procurement processes	4 603
	Pest Control	2	Single provider only	790
5 Occasions during the year amounts to R5 392.48				
DISASTER MANAGEMENT	Boleng Fire	2	Single provider only	1 002
2 Occasions during the year amounts to R1 002.25				
FINANCE	Various	4	Impractical for procurement processes	8 214
	Various	2	Single provider only	7 598
6 Occasions during the year amounts to R15 811.91				
COUNCIL ADMINISTRATION	ALFA	1	Single provider only	4 967
1 Occasions during the year amounts to R4 967.26				
SUPPLY CHAIN	GJ VICTOR	1	Single provider only	975
1 Occasions during the year amounts to R975.00				
HOUSING				
0 Occasions during the year amounts to R0.00				
HUMAN RESOURCE	MIE	2	Single provider only	1 031
2 Occasions during the year amounts to R1 030.56				
IDP				
0 Occasions during the year amounts to R0.00				
IT	Various	3	Single provider only	21 173
	URB KLANK	2	Impractical for procurement processes	53 498
	Various	2	Impractical to obtain 3 quotations	1 084
7 Occasions during the year amounts to R75 755.52				
MAYOR'S OFFICE	Various	4	Single provider only	5 355
	Desert Palace	1	Impractical for procurement processes	43 300
	LEXIS NEXIS	1	Impractical for procurement processes	684
6 Occasions during the year amounts to R49 339.36				
MUNICIPAL SUPPORT	//KHARA HAIS	1	Single provider only	900
1 Occasions during the year amounts to R900.00				
Total:				178 851

37.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

The Electricity and Water functions were transferred to the local municipalities. Thus no material Electricity and Water Losses occurred.

38 COMMITMENTS FOR EXPENDITURE

38.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Other

- Approved but Not Yet Contracted for:-

Infrastructure

Other

Total Capital Commitments

This expenditure will be financed from:

Government Grants

2013 R	2012 R
25 216	8 725 841
25 216	8 725 841
-	-
-	-
-	-
-	-
25 216	8 725 841
25 216	8 725 841
25 216	8 725 841
25 216	8 725 841

38.2 Lease Commitments

Finance Lease Liabilities are disclosed in Notes 13 .

38.3 Other Commitments

No Other Commitments existed at 30 June 2013

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

39 FINANCIAL INSTRUMENTS

39.1 Classification

FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>	2013 R	2012 R
Housing Selling Scheme Loans	Amortised cost	84 956	109 216
Receivables from Exchange Transactions			
Other Receivables	Amortised cost	32 099	40 616
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost		
Government Subsidy Claims	Amortised cost	-	1 129 013
Cash and Cash Equivalents			
Call Deposits	Fair value	1 139 123	2 572 650
Bank Balances	Fair value	3 782 049	-
Cash Floats and Advances	Fair value	2 584	2 180
Current Portion of Long-term Receivables			
Housing Selling Scheme Loans	Amortised cost	9 127	13 151

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Finance Lease Receivables	Housing Selling Scheme Loans	84 956	109 216
Receivables from Exchange Transactions	Other Debtors	32 099	40 616
Receivables from Non-exchange Transactions	Government Subsidy Claims	-	1 129 013
Current Portion of Long-term Receivables	Housing Selling Scheme Loans	9 127	13 151
		126 182	1 291 996

Financial Assets at Fair Value:

Cash and Cash Equivalents	Call Deposits	1 139 123	2 572 650
Cash and Cash Equivalents	Bank Balances	3 782 049	-
Cash and Cash Equivalents	Cash Floats and Advances	2 584	2 180
		4 923 755	2 574 830
Total Financial Assets		5 049 938	3 866 826

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	1 484 548	2 570 042
Finance Lease Liabilities	Amortised cost	-	4 160
Payables			
Trade Creditors	Amortised cost	2 578 080	2 387 154
Retentions	Amortised cost	582 358	633 985
Staff Leave Accrued	Amortised cost	1 476 074	1 303 427
Other Creditors	Amortised cost	3 125 540	171 402

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
Bank Overdraft			
Bank Overdraft	Fair value	-	31 479
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	1 075 833	975 645
Finance Lease Liabilities	Amortised cost	4 160	49 853

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	1 484 548	2 570 042
Long-term Liabilities	Finance Lease Liabilities	-	4 160
Payables	Trade Creditors	2 578 080	2 387 154
Payables	Retentions	582 358	633 985
Payables	Staff Leave Accrued	1 476 074	1 303 427
Payables	Other Creditors	3 125 540	171 402
Current Portion of Long-term Liabilities	Annuity Loans	1 075 833	975 645
Current Portion of Long-term Liabilities	Finance Lease Liabilities	4 160	49 853
		10 326 593	8 095 667

Financial Liabilities at Fair Value:

Bank Overdraft	Bank Overdraft	-	31 479
		31 479	31 479
Total Financial Liabilities		10 326 593	8 127 147

39.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2013, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	30 June 2013		30 June 2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	126 182	126 182	1 291 996	1 291 996
Finance Lease Receivables	84 956	84 956	109 216	109 216
Trade Receivables from Exchange Transactions	32 099	32 099	40 616	40 616
Trade Receivables from Non-exchange Transactions	-	-	1 129 013	1 129 013
Current Portion of Long-term Receivables	9 127	9 127	13 151	13 151
Measured at Fair Value	4 923 755	4 923 755	2 574 830	2 574 830
Call Deposits	1 139 123	1 139 123	2 572 650	2 572 650
Bank Balances and Cash	3 784 633	3 784 633	2 180	2 180
Total Financial Assets	5 049 938	5 049 938	3 866 826	3 866 826
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	10 326 593	10 326 593	8 095 667	8 095 667
Annuity Loans	1 484 548	1 484 548	2 570 042	2 570 042
Finance Lease Liabilities	-	-	4 160	4 160
Trade and Other Payables:				
- Creditors	7 762 052	7 762 052	4 495 968	4 495 968
- Current Portion of Long-term Liabilities	1 079 993	1 079 993	1 025 498	1 025 498
Measured at Fair Value	-	-	31 479	31 479
Bank Overdraft	-	-	31 479	31 479
Total Financial Liabilities	10 326 593	10 326 593	8 127 147	8 127 147
Total Financial Instruments	(5 276 656)	(5 276 656)	(4 260 321)	(4 260 321)
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2013

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	1 139 123	-	1 139 123
Bank Balances and Cash	-	3 784 633	-	3 784 633
Total Financial Assets	-	4 923 755	-	4 923 755
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Annuity Loans	-	1 484 548	-	1 484 548
Finance Lease Liabilities	-	-	-	-
Total Financial Liabilities	-	1 484 548	-	1 484 548
Total Financial Instruments	-	3 439 207	-	3 439 207

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012

	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Call Deposits	-	2 572 650	-	2 572 650
Bank Balances and Cash	-	2 180	-	2 180
Total Financial Assets	-	2 574 830	-	2 574 830
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Annuity Loans	-	2 570 042	-	2 570 042
Finance Lease Liabilities	-	4 160	-	4 160
Bank Overdraft	-	31 479	-	31 479
Total Financial Liabilities	-	2 605 681	-	2 605 681
Total Financial Instruments	-	(30 851)	-	(30 851)

39.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities, Cash and Cash Equivalents, Accumulated Surplus and the Statement of Changes in Net Assets.

Gearing Ratio

	2013 R	2012 R
The gearing ratio at the year-end was as follows:		
Debt	2 564 541	3 631 179
Cash and Cash Equivalents	(4 923 755)	(2 574 830)
Net Debt	<u>(2 359 214)</u>	<u>1 056 349</u>
Equity	<u>3 386 531</u>	<u>319 449</u>
Net debt to equity ratio	<u>-69.66%</u>	<u>330.68%</u>

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

39.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

39.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

39.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

39.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

39.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, investments, Finance Lease Receivable and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

		2013 R	2012 R
<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Call Deposits	Available for Sale	1 139 123	2 572 650
Overdraft	Available for Sale	-	(31 479)
Bank Balances	Available for Sale	3 784 633	2 180
		4 923 755	2 543 350
<u>Outstanding Debtors:</u>			
Finance Lease Receivable	Available for Sale	84 956	109 216
Interest received			
Interest Earned - Outstanding Debtors		5 279	6 460
Interest Earned - External Investments		300 287	529 336
Interest rate		6%	20%
Effect of a change in interest rate on interest earned from external investments:			
Effect of change in interest rate	%	15%	15%
Effect of change in interest rate	Rand value	751 307	397 885

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
Effect of change in interest rate	%	17%	17%
Effect of change in interest rate	Rand value	851 481	450 936
Financial Liabilities			
Classification			
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	1 484 548	2 570 042
Annuity Loans - current portion	Financial liabilities at amortised cost	1 075 833	975 645
		<u>2 560 381</u>	<u>3 545 687</u>
Interest paid			
Long-term Liabilities		325 887	487 876
Interest rate %		13%	14%
Effect of a change in interest rate on interest paid on long-term liabilities			
Effect of change in interest rate	%	12%	12%
Effect of change in interest rate	Rand value	307 246	425 482
Effect of change in interest rate	%	16%	16%
Effect of change in interest rate	Rand value	409 661	567 310

39.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposed to any significant credit risk.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors were transferred to the Local Municipalities.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a small number of trade debtors, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2013 R	2012 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Finance Lease Receivables	84 956	109 216
Consumer Debtors	68 475	89 242
Other Debtors	-	1 927 862
Bank, Cash and Cash Equivalents	4 923 755	2 543 350
Maximum Credit and Interest Risk Exposure	<u>5 077 187</u>	<u>4 669 671</u>

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

39 FINANCIAL INSTRUMENTS (Continued)

39.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. Interest payable is linked to the prime interest rate.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	7 762 052	7 762 052	-	-	-	-
- Creditors	11		7 762 052	7 762 052	-	-	-	-
Variable Interest Rate Instruments		8.08%	2 564 541	-	1 079 993	1 484 548	-	-
- Bank Overdraft	6.		-	-	-	-	-	-
- Finance Leases	14		4 160	-	4 160	-	-	-
- Annuity loans	14	Various	2 560 381	-	1 075 833	1 484 548	-	-
			10 326 593	7 762 052	1 079 993	1 484 548	-	-
30 June 2012								
Non-interest Bearing		0.00%	4 495 968	4 495 968	-	-	-	-
- Creditors	11		4 495 968	4 495 968	-	-	-	-
Variable Interest Rate Instruments		8.08%	3 631 179	31 479	1 025 498	2 574 202	-	-
- Bank Overdraft	6.		31 479	31 479	-	-	-	-
- Finance Leases	14		54 013	-	49 853	4 160	-	-
- Annuity loans	14		3 545 687	-	975 645	2 570 042	-	-
			8 127 147	4 527 448	1 025 498	2 574 202	-	-

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
		%	R	R	R	R		R
30 June 2013								
Non-interest Bearing		0.00%	32 099	32 099	-	-	-	-
- Trade Receivables from Exchange Transactions	3		32 099	32 099	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4		0	0	-	-	-	-
Variable Interest Rate Instruments		8.01%	4 923 755	4 923 755	-	-	-	-
- Call Deposits	6		1 139 123	1 139 123	-	-	-	-
- Petty Cash	6		2 584	2 584	-	-	-	-
- Bank Account	6		3 782 049	3 782 049	-	-	-	-
Fixed Interest Rate Instruments		5.00%	94 083	94 083	-	-	-	-
- Finance Lease Receivables	9		94 083	94 083	-	-	-	-
			5 049 938	5 049 938	-	-	-	-
30 June 2012								
Non-interest Bearing		0.00%	1 169 629	1 169 629	-	-	-	-
- Trade Receivables from Exchange Transactions	3		40 616	40 616	-	-	-	-
- Trade Receivables from Non-exchange Transactions	4		1 129 013	1 129 013	-	-	-	-
Variable Interest Rate Instruments		6.77%	2 574 830	2 574 830	-	-	-	-
- Call Deposits			2 572 650	2 572 650	-	-	-	-
- Petty Cash	6		2 180	2 180	-	-	-	-
- Bank Account			-	-	-	-	-	-
Fixed Interest Rate Instruments	9	5.00%	122 368	122 368	-	-	-	-
- Finance Lease Receivables			122 368	122 368	-	-	-	-
			3 866 826	3 866 826	-	-	-	-

39.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

40 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R16,7 million (2010: R14,2 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).

Defined Contribution Scheme

The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The last statutory valuation was performed as at 30 June 2011.

The interim valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R1 041 (30 June 2010: R1 483) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The net assets available for benefits were R2 456 (2005: R1 511) million.

The statutory valuation performed as at 30 June 2008 revealed that the fund had a deficit of R0 (30 June 2005: R0), with a funding level of 100% (30 June 2007: 100%). Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

41 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

41.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Gift van Staden	Mayor	1) Director at Upington Convenience Centre (Pty)Ltd 2) Director at SA Soutwerke (Edms) Bpk 3) Director at Upington Supersout (Edms) Bpk 4) Director at Kwari Ya Letswei 5) Director at Gold Tune 30 (Pty) Ltd 6) Director at Siyanda Economic Development
Zelna S Mjila	Speaker	Member at Henbase 2584 CC (Winkel & Drankwinkel)
Bernice Sinxeve	Councillor	Member at Kakamas Construction
Patricia Wetbooi	Councillor	Member at Scenic Route Trading 246
Dawid L de Wee	Councillor	Member at Catherine's Trading
Gadilwaelwe H. Mothibi	Councillor	1) Director at Tsantsabane Social and Labour Development Forum 2) Director at Northern Cape Mining Logistics and Services 3) Director at Charofo
Anvill M Isaacs	Councillor	Member at Hoezit's Entertainment Enterprize
Brenda Bock	Councillor	Member at BM Bock Construction and Community Development
Elize Mnyaka	Councillor	1)Director at Rosedale Skillss Development and Innovation Co-operative Limited 2)Founding member of Rosedale Skills Development and Innovation Co-operative limited
D. Ngxanga	Municipal Manager	Member at Ditsa DA RA Properties
Hannes Combrinck	Middle Manager	1)Member at Tumelo Youth Farm 2)Director at Kalahari Kuierfees 3)Director at Northern Cape Youth Development Agency
John Coetzee	Middle Manager	Member at M2G Architectural Studio
Gregory Mnganga	Middle Manager	Member at Rehoboth MG Civil Services
Josef Willemse	Middle Manager	1)Member at Black Sparrow Trading 2)Member at Brainwave Projects 1567
Gail Cloete	Middle Manager	Member at BC2S Construction Consulting and Trading Services

The following councillors and/or management of the municipality have no relationships with businesses:

C. Tities	Councillor	No relationship with businesses
KW Dodds	Councillor	No relationship with businesses
A. de Bruin	Councillor	No relationship with businesses
D.Z Ntlanganiso	Councillor	No relationship with businesses
S.P. May	Councillor	No relationship with businesses
J. Assegaai	Councillor	No relationship with businesses
J.Thomas	Councillor	No relationship with businesses
S.Esau	Councillor	No relationship with businesses
M.Mbilo	Councillor	No relationship with businesses
M.Oliphant	Councillor	No relationship with businesses
P.M.Mgcera	Councillor	No relationship with businesses
J.G.Lategan	Director	No relationship with businesses
P.Beukes	Director	No relationship with businesses
D.J.van Zyl	Middle Manager	No relationship with businesses
A.Kitching	Middle Manager	No relationship with businesses
M.Makibi	Middle Manager	No relationship with businesses
J.Van Wyk	Middle Manager	No relationship with businesses

ZF MGCAWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Name of Related Person	Designation	Description of Related Party Relationship
S.Titus	Middle Manager	No relationship with businesses
A.Tities	Middle Manager	No relationship with businesses
D.Lekanyane	Middle Manager	No relationship with businesses
F.P.Rupping	Middle Manager	No relationship with businesses
P.B.Feris	Middle Manager	No relationship with businesses
J.Shorty	Middle Manager	No relationship with businesses
T.Job	Middle Manager	No relationship with businesses
E.Steenkamp	Middle Manager	No relationship with businesses
M.Manyehe	Middle Manager	No relationship with businesses
H.Theron	Middle Manager	No relationship with businesses
M.Mathe	Middle Manager	No relationship with businesses
B.Knouwds	Middle Manager	No relationship with businesses
F.Strauss	Middle Manager	No relationship with businesses
B.Van Kratenburg	Middle Manager	No relationship with businesses
G.Present	Middle Manager	No relationship with businesses
R.Snyders	Middle Manager	No relationship with businesses
E.V/D Westhuizen	Middle Manager	No relationship with businesses
J.Visagie	Middle Manager	No relationship with businesses
C.Malgas	Middle Manager	No relationship with businesses
A.Phete	Middle Manager	No relationship with businesses
P.Montshiwa	Middle Manager	No relationship with businesses

The following councillors and/or management of the municipality was in businesses but resigned from the business:

G.Van Staden	Mayor	1)Rainbow Moon Trading 25 2)Upgro Local Business Service Centre
Peter Kotze	Councillor	South African Meat Industry Company
H Combrick	Middle Manager	Tumelo Youth Farm
Jusitce Nengome	Middle Manager	Sedzaphanda Building Construction

41.2 Services rendered to Related Parties

The municipality did not render any services during the year to anyone that can be considered as a related party.

41.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 14 to the Annual Financial Statements.

41.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 22 and 23 respectively, to the Annual Financial Statements.

41.5 Purchases from Related Parties

The municipality has contributed R30 000 to the Kalahari Kuierfees which can be considered to be a Related Party.

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42 CONTINGENT LIABILITIES		
42.1 Court Proceedings:	131 330	137 500
ZF Mgcawu District Municipality / CHM Car Hire: Claim against the municipality Handled by Becker, Bergh & More. Settlement on capital amount of R66 000 was paid. Legal cost for claimant's attorneys outstanding in the amount of R131 329.84. Possible obligation to the municipality.	131 330	100 000
ZF Mgcawu District Municipality / Vredesvallei: Claim against the municipality Handled by Becker, Bergh & More. The contractor proceed with legal action. Possible obligation to the municipality.	-	2 500
ZF Mgcawu District Municipality / Eric Orapeleng Mongwato : Possible claim against the municipality. Handled by Becker, Bergh & More. Accident claim	-	5 000
ZF Mgcawu District Municipality / Isabel Winkler h/a Emerald Gastehuis: Possible claim against the municipality. Handled by Becker, Bergh & More. Defence ordered by Council. Possible obligation to the municipality.	-	15 000
ZF Mgcawu District Municipality / Dawid Boer: Claim against the municipality Handled by Becker, Bergh & More. The details of the claimant is awaited. Possible obligation to the municipality.	-	15 000
43 CONTINGENT ASSETS		
43.1 Insurance Claims:	8 242	128 211
(i) Lost / Damaged Assets: The municipality has a claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R8242.42 will be recovered.	8 242	128 211
43.2 Court Proceedings:	662 850	604 392
(i) ZF Mgcawu Plant Hire t/a Amber Cascades Trading CC: The municipality is suing ZF Mgcawu Plant Hire t/a Amber Cascades Trading CC in respect of a payment made to the contractor for services not delivered by them.	435 820	435 820
(ii) DV Konstruksie The municipality is suing DV Konstruksie in respect of a payment made to the contractor for services not delivered by them.	55 664	76 540
(iii) Themba Links The municipality is suing Themba Links in respect of outstanding debt.	47 803	15 000
(iv) ALFA Paneelkloppers The municipality is suing ALFA Paneelkloppers in respect of previous rent not charged.	77 032	77 032
(v) Khalahari Afslaers The municipality is suing Khalahari Afslaers in respect of previous auction monies not paid over.	2 872	-
(vi) NASHUA The municipality is suing NASHUA in respect of monies paid on expired contracts.	43 659	-

44 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

45 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

ZF MGCWU DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

46 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

47 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Estimates (Note 34) and Prior Period Errors (Note 33).

48 MANAGEMENT'S GOING CONCERN ASSESSMENT

Management considered the following matters in relation to the Going Concern position of ZF Mgcawu:

(i) On 07 June 2013 Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) fund the on-going municipal support that will be rendered to our local municipalities and reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget was subjected to an independent assessment process by Provincial Treasury to assess its cash-backing status and other budgetary key performance indicators. The outcome of the cash back assessment was positive.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by regular reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) The municipality developed a cost containment and budget monitoring yardstick in order to measure operational and capital budget performance on a monthly basis. No cash flow challenges are experienced because cash flow projections are compiled for the payment sequences of the equitable share which is our largest portion of operational revenue source. The municipality has no bank overdraft facility to cover short term cash shortfalls as and when the need arises.

(v) The municipality is in a material sense grant dependent and renders mainly support to local municipalities in the ZF Mgcawu district. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions are instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
ZF MGCAWU DISTRICT MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
Annuity Loan: Kalksloot Sewerage	556 896	10.00%	9749/103	30/04/2016	134 608	-	(64 008)	70 600
Annuity Loan: Groblershoop Sewerage	714 152	10.00%	9750/103	30/04/2016	173 368	-	(82 439)	90 929
Annuity Loan: Cillie Sewerage	598 648	10.00%	9752/102	30/04/2016	185 905	-	(68 952)	116 953
Annuity Loan: Lutzburg Sewerage	588 908	10.00%	9753/102	30/04/2016	142 900	-	(67 951)	74 949
Annuity Loan: Neilersdrift Sewerage	391 494	10.00%	9754/102	30/04/2016	148 354	-	(44 697)	103 657
Annuity Loan: Groblershoop water	729 766	10.00%	9755/102	30/04/2016	424 169	-	(69 108)	355 061
Annuity Loan: Tlhakalatlou Sewerage	3 245 000	10.00%	10080/105	30/04/2016	936 423	-	(235 731)	700 692
Annuity Loan: Boichoko Postmasburg	5 230 000	10.00%	10084/103	30/04/2016	1 399 961	-	(352 421)	1 047 540
Total Annuity Loans	12 054 864				3 545 688	-	(985 307)	2 560 381
CAPITAL LEASE LIABILITIES								
Finance Leases: Nashua Printer -	175 267	15.50%	M5084301439	07/2013	49 982	-	(45 822)	4 160
Finance Leases: Nashua Printer -	179 119	13.00%	L3664603078	07/2012	4 030	-	(4 030)	-
Total Capital Lease Liabilities	2 642 437				54 012	-	(49 852)	4 160
TOTAL EXTERNAL LOANS	14 697 301				3 599 700	-	(1 035 159)	2 564 541

Annuity Loan: Kalksloot Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Kalksloot Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Groblershoop Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Cillie Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop Water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Cillie Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Cillie Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Lutzburg Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Lutzburg Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Neilersdrift Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Neilersdrift Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Groblershoop water

Structured unsecured 20 year loan for provision of infrastructure: Groblershoop water Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Tlhakalatlou Sewerage

Structured unsecured 20 year loan for provision of infrastructure: Tlhakalatlou Sewerage Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

Annuity Loan: Boichoko Postmasburg

Structured unsecured 20 year loan for provision of infrastructure: Boichoko Postmasburg Upgrading. Loan is repayable semi-annually in fixed instalments of capital and fixed rate interest.

APPENDIX B
ZF MGCAWU DISTRICT MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2013
	Opening Balance	Additions	Under Construction Additions	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	15 800 646	-	-	-	(154 231)	15 646 415	-	-	-	-	-	15 646 415	-
Building	4 518 876	-	-	-	(431 847)	4 087 029	1 027 118	193 070	-	(380 707)	839 481	3 247 548	-
	20 319 522	-	-	-	(586 078)	19 733 444	1 027 118	193 070	-	(380 707)	839 481	18 893 963	-
Infrastructure													
Sewer Network	-	-	6 164 434	-	-	6 164 434	-	-	-	-	-	6 164 434	-
Roads Network	1 543 539	-	-	(1 543 539)	-	-	-	-	-	-	-	-	-
	1 543 539	-	6 164 434	(1 543 539)	-	6 164 434	-	-	-	-	-	6 164 434	10 375 000
Leased Assets													
Office Equipment	521 099	-	-	(345 832)	-	175 267	478 603	37 035	(345 832)	-	169 805	5 461	-
	521 099	-	-	(345 832)	-	175 267	478 603	37 035	(345 832)	-	169 805	5 461	-
Other Assets													
Emergency Equipment													
Fire Fighting Equipment	1 800	-	-	-	-	1 800	1 026	540	-	-	1 566	234	-
Medical Equipment	12 600	-	-	-	-	12 600	7 088	2 268	-	-	9 356	3 245	-
Furniture and Fittings													
Cabinets and cupboards	339 002	6 436	-	(6 558)	-	338 881	130 257	62 161	(3 940)	-	188 478	150 403	-
Chairs	427 149	13 264	-	(13 823)	(17 696)	408 894	200 169	75 650	(10 520)	(12 832)	252 467	156 427	-
Other furniture	324 984	-	-	(13 309)	(2 660)	309 015	148 896	57 143	(10 948)	(1 395)	193 696	115 319	-
Tables and desks	505 460	3 210	-	(10 370)	(6 493)	491 807	202 050	90 337	(8 437)	(3 405)	280 544	211 262	-
Motor Vehicles:													
Motor Cars	2 165 414	-	-	(153 935)	(343 134)	1 668 344	300 244	233 438	(20 066)	(85 202)	428 414	1 239 930	-
Trucks And Bakkies	1 014 174	-	-	-	(190 000)	824 174	146 660	103 447	-	(75 946)	174 161	650 012	-
Office Equipment:													
Computer Hardware	1 004 513	210 441	-	(112 270)	(27 944)	1 074 740	509 487	282 938	(83 870)	(25 719)	682 836	391 904	-
Office Machines & Other	658 840	310 097	-	(46 417)	(15 159)	907 361	360 085	232 862	(40 111)	(11 067)	541 769	365 593	-
Printer, Fax, Copier	-	125 147	-	-	-	125 147	-	5 253	-	-	5 253	119 894	-
Plant and Equipment:													
Other Plant and Equipment	108 701	-	-	(2 250)	-	106 451	35 996	19 493	(2 003)	-	53 487	52 964	-
Radio Equipment	26 909	-	-	-	-	26 909	18 163	4 844	-	-	23 007	3 902	-
Security Equipment	50 835	-	-	-	-	50 835	19 286	10 406	-	-	29 692	21 143	-
Tractor	233 700	-	-	-	-	233 700	105 165	42 066	-	-	147 231	86 469	-
	6 874 080	668 595	-	(358 932)	(603 086)	6 580 658	2 184 573	1 222 844.89	(179 895)	(215 565)	3 011 958	3 568 699.92	1 911 550
Total PPE	29 258 240	668 595	6 164 434	(2 248 303)	(1 189 164)	32 653 803	3 690 293	1 452 950	(525 727)	(596 272)	4 021 244	28 632 559	12 286 550
Intangible Assets													
Computer Software	294 940	-	-	(3 761)	-	291 178	101 285	52 962	(2 096)	-	152 151	139 027	-
Total Intangible Assets	294 940	-	-	(3 761)	-	291 178	101 285	52 962	(2 096)	-	152 151	139 027	-
Total Asset Register	29 553 180	668 595	6 164 434	(2 252 065)	(1 189 164)	32 944 981	3 791 578	1 505 912	(527 823)	(596 272)	4 173 395	28 771 586	12 286 550

APPENDIX C
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	792 701	16 011	-	(65 083)	(30 772)	712 858	(375 278)	(166 771)	52 813	28 072	(461 165)	251 693
Council Administration	118 964	-	-	(2 132)	-	116 832	(44 084)	(27 621)	1 094	-	(70 612)	46 221
Council Services	257 003	-	-	(20 844)	-	236 158	(117 615)	(52 758)	16 493	-	(153 880)	82 278
Internal Audit	210 555	12 179	-	(32 345)	(25 853)	164 536	(120 026)	(41 858)	27 212	23 699	(110 974)	53 562
Municipal Manager	206 179	-	-	(9 762)	(4 919)	191 498	(93 552)	(44 415)	8 014	4 373	(125 579)	65 919
Risk Management	-	3 832	-	-	-	3 832	-	(120)	-	-	(120)	3 713
Budget and Treasury Office	2 540 939	28 057	-	(25 085)	(541 943)	2 001 968	(706 925)	(357 462)	16 999	165 768	(881 621)	1 120 347
Asset Management Unit	-	8 496	-	-	-	8 496	-	(2 227)	-	-	(2 227)	6 269
Financial Services	770 635	19 561	-	(25 085)	(8 809)	756 302	(340 905)	(177 445)	16 999	4 620	(496 732)	259 571
Vehicles	1 770 304	-	-	-	(533 134)	1 237 170	(366 020)	(177 790)	-	161 148	(382 662)	854 507
Corporate Services	23 485 162	618 752	-	(575 943)	(606 861)	22 921 109	(2 163 698)	(736 374)	426 390	395 630	(2 078 051)	20 843 059
Administration	209 743	-	-	(12 739)	-	197 004	(107 904)	(42 366)	10 658	-	(139 612)	57 392
Communication & Liaison	-	422	-	-	-	422	-	(1)	-	-	(1)	422
Human Resources	1 628 460	3 940	-	(165 643)	(4 743)	1 462 014	(186 516)	(206 723)	29 161	3 392	(360 685)	1 101 329
Information Technology	1 021 539	527 348	-	(368 562)	-	1 180 326	(689 425)	(223 056)	362 151	-	(550 329)	629 996
Property Services	20 613 237	87 041	-	(25 732)	(602 119)	20 072 428	(1 172 901)	(261 425)	21 414	392 238	(1 020 674)	19 051 754
Security Services	12 183	-	-	(3 268)	-	8 915	(6 952)	(2 803)	3 007	-	(6 749)	2 166
Municipal Support	2 734 378	5 774	6 164 434	(1 585 953)	(9 588)	7 309 045	(545 677)	(245 305)	31 621	6 803	(752 558)	6 556 487
Community Service Ad	1 543 539	-	6 164 434	(1 543 539)	-	6 164 434	-	-	-	-	-	6 164 434
Engineering Services	460 157	-	-	(1 701)	(4 199)	454 257	(211 332)	(90 073)	1 207	2 979	(297 218)	157 039
Environmental Health	207 551	1 228	-	(4 999)	(5 389)	198 391	(101 030)	(43 983)	2 274	3 823	(138 916)	59 475
Housing Accreditation	135 348	-	-	(3 807)	-	131 541	(62 389)	(28 886)	2 398	-	(88 877)	42 664
LED	-	1 444	-	-	-	1 444	-	(221)	-	-	(221)	1 223
Municipal Support Services	117 311	-	-	(7 931)	-	109 380	(54 734)	(25 965)	7 053	-	(73 645)	35 735
PIMMS	74 751	1 744	-	(14 783)	-	61 711.42	(39 377)	(14 452)	12 416	-	(41 412)	20 299
Tourism	195 721	1 359	-	(9 193)	-	187 887	(76 816)	(41 725)	6 273	-	(112 268)	75 619
Total	29 553 180	668 595	6 164 434	(2 252 065)	(1 189 164)	32 944 981	(3 791 578)	(1 505 912)	527 823	596 272	(4 173 395)	28 771 586

APPENDIX D
ZF MGCAWU DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Budgeted Income	2012 Actual Expenditure	2012 Budgeted Expenditure	2012 Surplus/ (Deficit)	Description	Vote Number	2013 Actual Income	2013 Budgeted Income	2013 Actual Expenditure	2013 Budgeted Expenditure	2013 Surplus/ (Deficit)
R	R	R	R	R			R	R	R	R	R
-	100 000	10 687 252	11 567 890	-10 687 252	Executive and Council		12 250	35 000	12 346 449	12 450 732	(12 334 199)
-	-	23 499	25 000	(23 499)	Donations	1011	-	-	-	-	-
-	-	2 182 127	2 305 987	(2 182 127)	Council Administration	1009	-	-	2 436 270	2 450 270	(2 436 270)
-	100 000	5 091 633	5 370 982	(5 091 633)	Council Services	1010	12 250	35 000	5 109 152	5 129 603	(5 096 902)
-	-	545 602	1 199 863	(545 602)	Internal Audit	1005	-	-	1 374 673	1 404 331	(1 374 673)
-	-	2 220 135	1 829 642	(2 220 135)	Municipal Manager	1001	-	-	3 278 354	3 292 234	(3 278 354)
-	-	624 257	836 416	(624 257)	Risk Management	1007	-	-	148 001	174 294	(148 001)
41 758 861	60 436 664	16 566 116	16 929 232	25 192 745	Budget and treasury office		46 970 888	59 623 748	12 358 906	12 441 334	34 611 982
40 508 861	59 186 664	4 112 686	1 295 715	-	Budget & Treasury Office	1021	45 720 888	58 373 748	1 727 692	1 727 789	-
-	-	4 518 882	5 872 454	(4 518 882)	Expenditure Unit	1023	-	-	3 593 439	3 608 146	(3 593 439)
1 250 000	1 250 000	4 259 821	4 827 462	(3 009 821)	Financial Services	1020	1 250 000	1 250 000	4 166 468	4 181 785	(2 916 468)
-	-	2 162 024	2 318 879	(2 162 024)	Supply Chain Management	1024	-	-	1 818 812	1 822 782	(1 818 812)
-	-	538 604	1 515 314	(538 604)	Asset Management Unit	1025	-	-	874 705	923 042	(874 705)
-	-	974 100	1 099 409	(974 100)	Vehicles	1003	-	-	177 790	177 790	(177 790)
139 877	391 388	12 599 752	14 607 354	(12 459 876)	Corporate services		(96 149)	410 957	15 889 375	17 437 604	(15 985 523)
-	-	3 357 149	3 639 931	(3 357 149)	Administration	1049	-	-	4 473 321	4 486 196	(4 473 321)
-	-	653 663	746 158	(653 663)	Communication & Liaison	1012	-	-	384 772	413 808	(384 772)
139 877	391 388	5 256 387	4 417 379	(5 116 511)	Human Resources	1046	(96 149)	410 957	6 333 434	6 608 518	(6 429 582)
-	-	2 153 566	2 329 847	(2 153 566)	Information Technology	1022	-	-	2 031 808	2 033 807	(2 031 808)
-	-	(245 564)	1 769 510	245 564	Property Services	1048	-	-	916 603	2 115 294	(916 603)
-	-	1 424 552	1 704 529	(1 424 552)	Security Services	1050	-	-	1 749 437	1 779 981	(1 749 437)
19 224 705	27 424 000	58 766 915	66 592 763	(39 542 211)	Municipal support		14 966 896	12 900 000	18 192 075	18 348 239	(3 225 178)
-	-	4 085 576	8 009 308	(4 085 576)	Community Service Ad	4250	-	-	1 543 539	1 543 539	(1 543 539)
-	-	13 362	3 205 925	(13 362)	Community Service Ad 2	4350	-	-	-	-	-
-	-	3 119 182	862 972	(3 119 182)	Community Service Ad	4450	-	-	-	-	-
6 460	-	-	-	6 460	Administration 2	7550	5 279	-	-	-	5 279
-	-	1 248 455	1 313 883	(1 248 455)	Municipal Support Services	1006	-	-	1 200 737	1 213 032	(1 200 737)
-	-	-	500	-	O & M Unit	1032	-	-	-	-	-
-	-	1 854 771	3 349 027	(1 854 771)	Environmental Health	1040	-	-	2 520 460	2 529 050	(2 520 460)
1 689 566	1 310 000	1 703 643	2 003 241	(14 077)	Housing Accreditation	1033	300 000	525 000	1 983 738	2 009 836	(1 683 738)
-	-	793 243	702 322	(793 243)	Tourism	1014	-	-	635 153	644 228	(635 153)
10 782 614	24 432 000	2 744 735	16 502 691	8 037 879	Engineering Services	1030	13 661 617	11 375 000	4 542 334	4 553 226	9 119 283
-	-	706 232	1 310 008	(706 232)	PMS	1008	-	-	1 046 931	1 046 931	(1 046 931)
-	-	159 797	899 493	(159 797)	LED	1015	-	-	238 701	257 241	(238 701)
790 000	790 000	2 582 378	2 261 179	(1 792 378)	PIMMS	1004	1 000 000	1 000 000	2 576 884	2 612 018	(1 576 884)
430 762	892 000	2 183 122	2 411 468	(1 752 360)	Disaster Mangement	1002	-	-	1 869 243	1 904 783	(1 869 243)
-	-	5 219	-	(5 219)	Repairs - Maintenanc	2274	-	-	-	-	-
-	-	25 864	-	(25 864)	Roadworks	2160	-	-	-	-	-
-	-	(478)	-	478	Roadworks Private	2073	-	-	-	-	-
-	-	66 159	-	(66 159)	Roadworks Routine Ma	2060	-	-	34 354	34 355	(34 354)
5 525 302	-	-	1 598 568	5 525 302	Refuse Removal	4252	-	-	-	-	-
-	-	354	1 598 568	(354)	Refuse Removal 2	4352	-	-	-	-	-
-	-	-	1 598 568	-	Refuse Removal	4452	-	-	-	-	-
-	-	37 470 258	18 254 322	(37 470 258)	Water-Supply	4453	-	-	-	-	-
-	-	-	55 000	-	Water-Supply	4153	-	-	-	-	-
-	-	-	471 886	-	Water-Supply 2	4253	-	-	-	-	-
-	-	5 045	183 834	(5 045)	Water-Supply 3	4353	-	-	-	-	-
61 123 442	88 352 052	98 620 036	109 697 238	(37 496 594)	Sub-Total		61 853 886	72 969 705	58 786 804	60 677 909	3 067 082
					Revenue Foregone						
61 123 442	88 352 052	98 620 036	109 697 238	(37 496 594)	Total		61 853 886	72 969 705	58 786 804	60 677 909	3 067 082

APPENDIX E(1)
ZF MGCAWU DISTRICT MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	35 000	-	35 000	-	-	35 000	12 250	-	(22 750)	35.00	35.00				-
Budget and Treasury Office	56 217 198	3 406 550	59 623 748	-	-	59 623 748	46 970 888	-	(12 652 860)	78.78	83.55				41 758 861
Corporate Services	410 957	-	410 957	-	-	410 957	(90 869)	-	(501 826)	0.00	0.00				146 336
Community and Public Safety:															
Public Safety	-	-	-	-	-	-	-	-	-	0.00	0.00				430 762
Housing	525 000	-	525 000	-	-	525 000	300 000	-	(225 000)	57.14	57.14				1 689 566
Economic and Environmental Services:															
Planning and Development	12 375 000	-	12 375 000	-	-	12 375 000	14 661 617	-	2 286 617	118.48	118.48				11 572 614
Trading Services:															
Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00				5 525 302
Total Revenue - Standard	69 563 155	3 406 550	72 969 705	-	-	72 969 705	61 853 886	-	(11 115 819)	84.77	88.92	-	-	-	61 123 442
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	13 544 360	805 874	14 350 234	-	(1 899 502)	12 450 732	12 346 449	-	(104 283)	99.16	91.16				10 663 754
Budget and Treasury Office	9 649 280	1 252 834	10 902 115	-	(1 384 394)	9 517 720	9 487 598	-	(30 122)	99.68	98.32				12 891 388
Corporate Services	18 953 204	(1 008 189)	17 945 016	-	1 849 253	19 794 269	18 211 982	-	(1 582 287)	92.01	96.09				16 098 383
Community and Public Safety:															
Community and Social Services	-	-	-	-	1 543 539	1 543 539	1 543 539	-	(0)	100.00	0.00				7 241 618
Public Safety	4 026 104	214 228	4 240 331	-	(555 567)	3 684 764	3 618 680	-	(66 084)	98.21	89.88				3 607 674
Housing	2 144 057	(674 936)	1 469 121	-	540 715	2 009 836	1 983 738	-	(26 098)	98.70	92.52				1 703 643
Health	2 858 378	(179 958)	2 678 420	-	(149 370)	2 529 050	2 520 460	-	(8 590)	99.66	88.18				1 854 771
Economic and Environmental Services:															
Planning and Development	7 396 492	776 417	8 172 909	-	296 507	8 469 416	8 404 851	-	(64 565)	99.24	113.63				6 193 142
Road Transport	-	-	-	-	34 355	34 355	34 354	-	(1)	100.00	0.00				96 764
Trading Services:															
Water	-	-	-	-	-	-	-	-	-	0.00	0.00				5 045
Waste Management	-	-	-	-	-	-	-	-	-	0.00	0.00				37 470 611
Other:															
Tourism	618 159	301 605	919 764	-	(275 536)	644 228	635 153	-	(9 075)	98.59	102.75				793 243
Total Expenditure - Standard	59 190 034	1 487 875	60 677 909	-	1-	60 677 909	58 786 804	-	(1 891 105)	96.88	99.32	-	-	-	98 620 036
Surplus/(Deficit) for the year	10 373 121	1 918 675	12 291 796	-	-1-	12 291 796	3 067 082	-	(9 224 714)	24.95	29.57	-	-	-	(37 496 594)

APPENDIX E(2)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
REVENUE BY VOTE	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Vote 1 - Executive and council	35 000	-	35 000	-	-	35 000	12 250	-	(22 750)	35.00	35.00	-	-	-	-
Vote 2 - Budget and treasury office	56 217 198	3 406 550	59 623 748	-	-	59 623 748	46 970 888	-	(12 652 860)	78.78	83.55	-	-	-	41 758 861
Vote 3 - Corporate services	410 957	-	410 957	-	-	410 957	(96 149)	-	(507 106)	0.00	0.00	-	-	-	139 877
Vote 4 - Municipal support	12 900 000	-	12 900 000	-	-	12 900 000	14 966 896	-	2 066 896	116.02	116.02	-	-	-	19 224 705
Total Revenue by Vote	69 563 155	3 406 550	72 969 705	-	-	72 969 705	61 853 886	-	(11 115 819)	84.77	88.92	-	-	-	61 123 442
EXPENDITURE BY VOTE															
Vote 1 - Executive and council	13 544 360	805 874	14 350 234	-	(1 899 502)	12 450 732	12 346 449	-	(104 283)	99.16	91.16	-	-	-	10 687 252
Vote 2 - Budget and treasury office	13 655 782	215 258	13 871 040	-	(1 429 706)	12 441 334	12 358 906	-	(82 428)	99.34	90.50	-	-	-	16 566 116
Vote 3 - Corporate services	14 923 969	404 410	15 328 379	-	2 109 225	17 437 604	15 889 375	-	(1 548 229)	91.12	106.47	-	-	-	12 599 752
Vote 4 - Municipal support	17 065 923	62 332	17 128 256	-	1 219 983	18 348 239	18 192 075	-	(156 164)	99.15	106.60	16 209 363	-	-	58 766 915
Total Expenditure by Vote	59 190 034	1 487 875	60 677 909	-	0	60 677 909	58 786 804	-	(1 891 105)	96.88	99.32	16 209 363	-	-	98 620 036
Surplus/(Deficit) for the year	10 373 121	1 918 675	12 291 796	-	(0)	12 291 796	3 067 082	-	(9 224 714)	24.95	29.57	(16 209 363)	-	-	(37 496 594)

APPENDIX E(3)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total	Budget	Final Adjustments	Shifting of	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised	Expenditure authorised	Balance to be	Restated Audited
	Budget	Adjustments	Budget	Funds		Budget	Outcome	Expenditure				Expenditure	i.t.o. Sect 32	Recovered	Outcome
Revenue by Source	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Rental of Facilities and Equipment	44 071	163 737	207 808	-	-	207 808	141 070	-	(66 738)	67.88	320.10	-	-	-	8 625
Interest Earned - External Investments	787 500	-	787 500	-	-	787 500	300 287	-	(487 213)	38.13	38.13	-	-	-	529 336
Interest Earned - Outstanding Debtors	-	-	-	-	-	-	5 279	-	5 279	0.00	0.00	-	-	-	6 460
Licences and Permits	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	5 525 302
Transfers Recognised - Operational	57 039 000	-	57 039 000	-	-	57 039 000	58 890 504	-	1 851 504	103.25	103.25	-	-	-	54 150 277
Other Revenue	11 692 584	3 242 813	14 935 397	-	-	14 935 397	2 516 746	-	(12 418 651)	16.85	21.52	-	-	-	903 441
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital)	69 563 155	3 406 550	72 969 705	-	-	72 969 705	61 853 886	-	(11 115 819)	84.77	88.92	-	-	-	61 123 442
Expenditure															
Employee Related Costs	37 462 072	(586 510)	36 875 562	-	(3 283 646)	33 591 916	34 176 989	-	585 073	101.74	91.23	-	-	-	29 864 942
Remuneration of Councillors	229 953	381 728	611 681	-	2 198 822	2 810 503	2 909 505	-	99 002	103.52	1 265.26	-	-	-	2 706 099
Debt Impairment	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 638 616
Depreciation and Asset Impairment	2 484 947	(510 978)	1 973 969	-	(306 826)	1 667 143	1 663 088	-	(4 055)	99.76	66.93	-	-	-	1 167 437
Finance Charges	571 292	2 000	573 292	-	(188 511)	384 781	325 887	-	(58 894)	84.69	57.04	-	-	-	487 876
Other Materials	655 291	39 000	694 291	-	(90 593)	603 698	537 528	-	(66 170)	89.04	82.03	-	-	-	569 015
Contracted Services	1 320 000	110 000	1 430 000	-	(41 237)	1 388 763	1 157 420	-	(231 343)	83.34	87.68	-	-	-	3 112 372
Transfers and Grants	3 493 000	65 500	3 558 500	-	288 864	3 847 364	3 544 561	-	(302 803)	92.13	101.48	-	-	-	2 779 077
Other Expenditure	13 524 729	1 987 135	15 511 864	-	(1 945 737)	13 566 127	12 792 016	-	(774 111)	94.29	94.58	-	-	-	14 001 081
Loss on Disposal of PPE	(551 250)	-	(551 250)	-	3 368 864	2 817 614	1 679 810	-	(1 137 804)	59.62	0.00	-	-	-	42 293 519
Total Expenditure	59 190 034	1 487 875	60 677 909	-	0	60 677 909	58 786 804	-	(1 891 105)	96.88	99.32	-	-	-	98 620 036
Surplus/(Deficit) for the Year	10 373 121	1 918 675	12 291 796	-	-0	12 291 796	3 067 082	-	(9 224 714)	24.95	29.57	-	-	-	(37 496 594)
															-

APPENDIX E(4)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13											2011/12			
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE - VOTE															
Multi-year Expenditure															
Vote 1 - Executive and Council		-		-	-			-	-	0.00	0.00	-	-	-	
Vote 2 - Budget & Treasury Office		-		-	-			-	-	0.00	0.00	-	-	-	
Vote 3 - Corporate Services		-		-	-			-	-	0.00	0.00	-	-	-	
Vote 4 - Municipal Support	10 425 000	(50 000)	10 375 000	-	-	10 375 000	6 164 434	-	(4 210 566)	59.42	59.13	-	-	-	
Total Capital Expenditure - Multi-year	10 425 000	(50 000)	10 375 000	-	-	10 375 000	6 164 434	-	(4 210 566)	59.42	59.13	-	-	-	-
Single-year Expenditure															
Vote 1 - Executive and Council	152 500	-	152 500	-	-	152 500	16 011	-	(136 489)	10.50	10.50	-	-	-	109 429
Vote 2 - Budget & Treasury Office	255 000	(200 000)	55 000	-	-	55 000	28 057	-	(26 943)	51.01	11.00	-	-	-	1 531 083
Vote 3 - Corporate Services	1 047 250	350 000	1 397 250	-	-	1 397 250	618 752	-	(778 498)	44.28	59.08	-	-	-	2 901 211
Vote 4 - Municipal Support	106 800	200 000	306 800	-	-	306 800	5 774	-	(301 026)	1.88	5.41	-	-	-	6 938 142
Total Capital Expenditure - Single-year	1 561 550	350 000	1 911 550	-	-	1 911 550	668 595	-	(1 242 955)	34.98	42.82	-	-	-	11 479 866
Total Capital Expenditure - Vote	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01	-	-	-	11 479 866
CAPITAL EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and council	152 500	-	152 500	-	-	152 500	16 011	-	(136 489)	10.50	10.50	-	-	-	109 429
Budget and treasury office	255 000	(200 000)	55 000	-	-	55 000	28 057	-	(26 943)	51.01	11.00	-	-	-	1 531 083
Corporate services	1 047 250	350 000	1 397 250	-	-	1 397 250	618 752	-	(778 498)	44.28	59.08	-	-	-	2 901 211
Community and Public Safety:															
Community and social services	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	1 553 117
Sport and recreation	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	41 200
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	10 662
Other:															
Other	10 531 800	150 000	10 681 800	-	-	10 681 800	6 170 208	-	(4 511 592)	57.76	58.59	-	-	-	-
Total Capital Expenditure - Standard	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01	-	-	-	6 146 703
FUNDED BY:															
National Government	1 611 550	300 000	1 911 550	-	-	1 911 550	-	-	(1 911 550)	0.00	0.00	-	-	-	-
Provincial Government	10 375 000	-	10 375 000	-	-	10 375 000	6 833 029	-	(3 541 971)	65.86	65.86	-	-	-	-
District Municipality		-		-	-			-	-	0.00	0.00	-	-	-	-
Other Transfers and Grants		-		-	-			-	-	0.00	0.00	-	-	-	-
Transfers Recognised - Capital	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01	-	-	-	-
Public Contributions & Donations		-		-	-			-	-	0.00	0.00	-	-	-	-
Borrowing		-		-	-			-	-	0.00	0.00	-	-	-	-
Internally Generated Funds		-		-	-			-	-	0.00	0.00	-	-	-	-
Total Capital Funding	11 986 550	300 000	12 286 550	-	-	12 286 550	6 833 029	-	(5 453 521)	55.61	57.01	-	-	-	-

APPENDIX E(5)
ZF MGCAWU DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13								2011/12
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	13 313 204	2 830 958	16 144 162	16 144 162	2 657 816	(13 486 346)	16.46	19.96	6 437 368
Government - Operating	45 052 450	612 000	45 664 450	45 664 450	52 726 070				47 271 278
Government - Capital	11 986 550	(1 611 550)	10 375 000	10 375 000	6 164 434	(4 210 566)	59.42	51.43	6 878 999
Interest	787 500	-	787 500	787 500	305 567	(481 933)	38.80	38.80	535 796
Payments									
Suppliers and Employees	(50 839 011)	(6 251 566)	(57 090 577)	(56 801 713)	(47 534 167)	9 267 545	0.00	0.00	(55 288 916)
Finance Charges	(571 292)	-	(571 292)	(571 292)	(325 887)	245 405	0.00	0.00	(487 876)
Transfers and Grants	(3 493 000)	(65 500)	(3 558 500)	(3 847 364)	(3 544 561)	302 803	0.00	0.00	(2 779 077)
NET CASH FROM / (USED) OPERATING ACTIVITIES	16 236 402	(4 485 658)	11 750 744	11 750 744	10 449 271	(8 363 093)	88.92	64.36	2 567 573
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	551 250	-	551 250	551 250	(224 938)	(776 188)	0.00	0.00	-
Decrease / (Increase) in Finance Lease Receivables	-		-	-	24 260				13 151
Payments									
Capital Assets	(11 986 550)	(300 000)	(12 286 550)	(12 286 550)	(6 833 029)	5 453 521	0.00	0.00	(11 645 502)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(11 435 300)	(300 000)	(11 735 300)	(11 735 300)	(7 033 707)	4 677 333	0.00	0.00	(11 632 351)
CASH FLOWS FROM FINANCING ACTIVITIES									
Payments									
Loans repaid	(134 165)	-	(134 165)	(134 165)	(1 035 159)	(900 994)	0.00	0.00	(1 458 069)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(134 165)	-	(134 165)	(134 165)	(1 035 159)	(900 994)	0.00	0.00	(1 458 069)
NET INCREASE / (DECREASE) IN CASH HELD	(4 666 937)	4 785 658	118 721	118 721	(2 380 405)	(2 499 126)	0.00	0.00	10 522 848
Cash / Cash Equivalents at the Year begin:	32 105 757	-	32 105 757	32 105 757	2 543 350	(29 562 407)	7.92	7.92	13 066 198
Cash / Cash Equivalents at the Year end:	36 772 694	(4 785 658)	31 987 036	31 987 036	4 923 755	(27 063 281)	15.39	13.39	2 543 350

APPENDIX F
ZF MGCAWU DISTRICT MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below
		Sept	Dec	March	June	Sept	Dec	March	June			
CRDB Water pipeline RVM Mission	Department Rural Development	576 440	-	-	-	576 440				N/A	N/A	Yes
DWA Water pipeline RVM Mission	Department Water Affairs	-	-	-	-			69 304		N/A	N/A	Yes
Housing Accreditation DPLG National	COGHSTA - Provincial	699 999	-	300 000	-	150 000	150 000			N/A	N/A	Yes
Financial Management Grant	National Treasury	1 250 000	-	-	-	142 749	193 186	157 523	756 543	N/A	N/A	Yes
Municipal Infrastructure Grant	COGHSTA - National	-	-	-	-	-	561 000	747 321	-	N/A	N/A	Yes
Municipal Systems Improvement Grant	COGHSTA - National	1 000 000	-	-	-	-	-	327 601	672 399	N/A	N/A	Yes
Disaster Management - Near Project Subsidy	COGHSTA - Provincial	-	-	-	-	-	-	-	-	N/A	N/A	Yes
Disaster Management - Fire Equipment Grant	COGHSTA - Provincial	-	-	-	-	-	-	-	-	N/A	N/A	Yes
EPWP Incentive Grant	DPWRT - Provincial	400 000	300 000	300 000	-	990	109 012	522 328	367 670	N/A	N/A	Yes
DRD RVM Sewernetwork	Department Rural Development	3 355 635	-	2 682 847	588 532	1 410 381	2 028 637	2 775 456	516 540	N/A	N/A	Yes
Conditional Grant - Dept Housing (Houses)	COGHSTA - Provincial	1 098 493	204 305	547 560	411 501	892 624	959 122	266 407	1 647 272	N/A	N/A	Yes
Total Grants and Subsidies Received		8 380 567	504 305	3 830 408	1 000 033	3 173 183	4 000 956	4 865 940	3 960 424	-		
(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?												